

# Delivery of Goods at Destination

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Goods are released to the consignee at the destination based on the mode of transport, the nature of the underlying transport document, and applicable release mechanisms. The key categories include:

1. Transport Document Conferring Title to the Goods, Issued in Negotiable Form (“To order” or “To order of the issuing bank”)
2. Transport Document Conferring Title to the Goods, Made Out to in the name of Issuing bank (Straight Consignment to the issuing bank)
3. Transport Document Conferring Title to the Goods, Made Out to a Named Party (Straight Consignment to the consignee)
4. Transport Document that is Not a Document of Title, Made Out in the Name of the Issuing Bank (Straight Consignment to the issuing bank)
5. Transport Document that is Not a Document of Title, Made Out to a Named Party (Straight Consignment to the consignee)
6. Telex/Express release of goods

## 1. Transport Document Conferring Title to the Goods, Issued in Negotiable Form

When the transport document confers title to the goods—such as a Bill of Lading, Charter Party Bill of Lading (a quasi-document of title), or a Multimodal Transport Document (if the last leg of the journey is by sea)—it may be issued in a negotiable form, i.e., “To order” or “To order of the issuing bank.”

To release the goods, the consignee is required to surrender at least one original transport document, duly endorsed, to the carrier’s or owner’s agent at the destination.

While the release of goods under Charter Party Bills of Lading (CPBLs) is subject to the terms of the Charter Party Agreement (CPA), the general practice remains the same—requiring the surrender of at least one original, duly endorsed document to the owner’s agent at the destination.

### **Release of Goods Without Original Documents**

If the goods arrive before the arrival of the original transport documents—due to the beneficiary taking the maximum allowed time to present the documents, procedural delays in the banking channel, or shorter voyage times—the shipping company/vessel agents may release the goods without the surrender of the original transport documents to avoid demurrage charges. Such release is typically made against a Letter of Indemnity (LOI) or a Shipping Guarantee (SG) as a substitute for the original transport document.

## Letter of Indemnity (LOI)

A Letter of Indemnity (LOI) is executed and signed by the consignee using the shipping company's prescribed format.

By issuing the LOI, the consignee indemnifies the shipping company against any losses or claims arising from a third party presenting the original transport document to claim the goods. The indemnity typically carries **unlimited liability** and remains effective until the original transport document is surrendered.

The shipping company may require the consignee's authorised representative's signature to be verified by the consignee's bank for authentication. In such cases, the bank's role is **strictly limited to signature verification**, without assuming any financial liability.

### Parties to a Letter of Indemnity

In an LOI arrangement, there are only two parties:

- **Issuer:** The Consignee
- **Beneficiary:** The Shipping Company

Once the consignee receives the original transport document, it must be surrendered to the shipping company to cancel the LOI.

Shipping companies usually do not accept an indemnity issued solely by the consignee. However, in rare cases, they may agree to release the goods against such an LOI if the consignee:

- Has established credibility and a longstanding relationship with the shipping company,
- Holds a high market reputation, or
- The goods are of relatively low value.

The most common practice—especially under LC transactions—is that shipping companies typically insist on an LOI countersigned by a bank with joint financial liability.

When a bank countersigns an LOI, it assumes joint liability and may block a credit limit, require collateral, or demand a cash margin to mitigate risk. This is done after assessing the shipping company's LOI terms and the financial exposure involved.

To countersign the LOI, the issuing bank must obtain an undertaking from the applicant (importer) confirming:

- Their acceptance of the documents despite any discrepancies,
- Irrevocable authority to debit their account, and
- Any additional indemnities required under the bank's risk management policies, as part of the counter-indemnity to the bank.

**Upon receipt of the documents**, the issuing bank is obligated to honour the payment without examination of the documents, and to ensure that the original Bill of Lading is surrendered to the shipping company and that the Letter of Indemnity is returned for cancellation.

## Shipping Guarantee (SG)

A Shipping Guarantee (SG) is issued by a bank in favour of a shipping company to facilitate the release of goods without requiring the surrender of the original Bill of Lading.

Some shipping companies, as per their internal policies and subject to the applicable legal jurisdiction, may **insist on an SG**, while others may accept a Letter of Indemnity (LOI) countersigned by the bank.

### Parties to a Shipping Guarantee

A Shipping Guarantee involves three parties:

- **Principal Debtor (Applicant / Consignee)** – The party requesting the release of goods.
- **Guarantor (Issuing Bank)** – The bank issuing the SG on behalf of the applicant.
- **Principal Creditor (Shipping Company)** – The party releasing the goods in reliance on the SG.

### Liability and Expiry Period

Banks typically issue an SG with a **maximum liability**, often around 150% of the invoice value, as a safeguard against potential claims.

The expiry period of an SG generally ranges from **6 to 12 months**, or until the original SG is returned to the bank, whichever is earlier.

The exact terms, including liability caps and expiry conditions, are determined by:

- The bank's internal policies,
- Shipping company's requirements, and
- The applicable legal and regulatory framework.

### Shipping Guarantee under an LC

In Letter of Credit (LC) transactions, the issuing bank may require a **separate credit limit** for the SG, in addition to the LC exposure, as the LC credit remains blocked until the liability is fully settled.

Before issuing the SG, the bank obtains an irrevocable undertaking from the applicant, confirming:

- Their acceptance of the documents despite any discrepancies,

- Irrevocable authority to debit their account, and
- Any additional indemnities required under the bank's risk management policies, as part of the counter-indemnity.

**Upon receipt of the documents**, the issuing bank is obligated to honour the payment without examination of the documents, and to ensure that the original Bill of Lading is surrendered to the shipping company and that the Shipping Guarantee is returned for cancellation.

## **2. Transport Document Conferring Title to the Goods, Made Out in the Name of the Issuing Bank (Straight Consignment)**

When the transport document confers title to the goods—such as a Bill of Lading, a Charter Party Bill of Lading (a quasi-document of title), or a Multimodal Transport Document (if the final leg of the journey is by sea)—it may be issued in the name of the issuing bank (straight consignment).

Once the documents are accepted by the issuing bank under the LC, it issues a Delivery Order (DO) to the shipping company, enclosing the original transport document and authorising them to release the goods to the applicant.

If the goods arrive before the transport documents, the applicant may request the issuing bank to issue a Delivery Order to the shipping company in order to avoid demurrage, providing necessary indemnities and confirming acceptance of the documents despite any discrepancies. Once the Delivery Order is issued, the issuing bank is obligated to honour the payment without examination of the documents.

In such cases, the Delivery Order may be accompanied by a Letter of Indemnity (LOI) or a Shipping Guarantee (SG), in lieu of the original Bill of Lading, depending on the shipping company's requirements and the applicable legal jurisdiction.

Upon receipt of the documents, the issuing bank is obligated to honour the payment without examination of the documents, and to ensure that the original Bill of Lading is surrendered to the shipping company and that the LOI or Shipping Guarantee is returned for cancellation.

## **3. Transport Document Conferring Title to the Goods, Made Out to a Named Party (Straight Consignment)**

When the transport document confers title to the goods—such as a Bill of Lading, Charter Party Bill of Lading (a quasi-document of title), or a Multimodal Transport Document (if the final leg of the journey is by sea)—it may be issued in the name of a specific party (straight consignment), making it non-negotiable and incapable of being transferred by endorsement and delivery.

The consignee is technically required to surrender at least one original transport document to the shipping agent at the destination to take delivery of the goods, without requiring endorsement.

In practice, however, in certain legal jurisdictions and subject to internal policies, shipping companies may release the goods against the consignee's proof of identification alone, without requiring surrender of the original transport document.

Where a shipping company chooses to release goods without an original transport document, it assumes the risk of verifying the consignee's identity. If the goods are released to the wrong party due to misidentification, the shipping company remains liable to the rightful consignee.

To mitigate this risk, some shipping companies may still insist on surrendering at least one original transport document, even if issued in non-negotiable form.

If the original transport document is not available at the time of delivery, the shipping company may, depending on its internal policy and the applicable legal framework, release the goods against a Letter of Indemnity (LOI) or a Shipping Guarantee (SG) to safeguard against the risk of misdelivery.

As per the 5th Edition of CDCS material, Chapter 12.3.2.3, if a bill of lading is consigned to a named party (a straight consigned document), goods will be delivered to the named consignee against simple identification, or against a delivery order or release note from the named consignee. However, this interpretation may not necessarily align with applicable laws and prevailing practices in different jurisdictions, where surrender of at least one original straight bill of lading may still be required for delivery.

## **4. Transport Document that is Not a Document of Title, Made Out in the Name of the Issuing Bank**

Transport documents such as a Non-Negotiable Sea Waybill, Air Waybill, Rail Waybill, CMR, or a Multimodal Transport Document (if the last leg of the journey is other than by sea) may be consigned in the name of the issuing bank (straight consignment).

Once the documents are accepted by the issuing bank under the LC, it issues a Delivery Order (DO) to the shipping company, authorising release of the goods to the applicant.

If the goods arrive before the transport documents, the applicant may request the issuing bank to issue a Delivery Order to the shipping company to avoid demurrage, providing necessary indemnities and confirming acceptance of the documents despite any discrepancies.

Upon receipt of the documents, the issuing bank remains obligated to honour the payment without examination of the documents.

## **5. Transport Document that is Not a Document of Title, Made Out to a Named Party**

Transport documents such as a Non-Negotiable Sea Waybill, Air Waybill, Rail Waybill, CMR, or a Multimodal Transport Document (if the last leg of the journey is other than by

sea) may be made out to a named party. In such cases, the shipping company will release the goods against identification to verify the consignee's identity.

In letter of credit transactions, where the transport document is made out to a named party (straight consignment), the issuing bank loses control over the goods. Accordingly, the bank must block the credit limits under fully unsecured exposure and obtain appropriate indemnities from the applicant at the time of opening of the LC.

## 6. Telex/Express Release of Goods

In the case of a Bill of Lading or a Multimodal Transport Document (if the last leg of the journey is by sea), at least one original transport document must typically be surrendered to the carrier or its agent at the destination port by the consignee to secure the release of the goods.

However, in open account or advance payment transactions, instead of couriering the original transport documents to the buyer, the seller may opt to surrender the original B/L to the carrier or its agent at the load port. The carrier then instructs its agent at the destination port to release the goods to the consignee upon presentation of appropriate identification. This arrangement is widely known as Telex Release or Express Release.

In fact, when sellers do not intend to exercise control over the goods, particularly in port-to-port shipments, the seller can obtain a Non-Negotiable Sea Waybill instead of a Bill of Lading. In such cases, the goods can be delivered directly to the buyer against simple identification.

Although Telex/Express Release is not a desirable practice in LC transactions, some issuing banks accept express release conditions by calling for a copy of the surrendered B/L. By accepting these conditions in the LC, the parties involved—i.e., the issuing bank, confirming bank (if any), and the beneficiary—are exposed to a significant risk of losing control over the goods.

The applicant may make such a request in the case of shorter journeys. As such, it is the responsibility of issuing banks to educate applicants on alternative mechanisms available within the scope of UCP 600—such as the use of a Non-Negotiable Sea Waybill consigned to the issuing bank—which serves as a suitable and safer alternative for shorter-distance shipments, without the need to include Telex Release conditions in the letter of credit.

## Release of Goods at Destination Against Different Types of Transport Documents

Transport Document	Consignee	Delivery of goods
Bill of Lading/Charterparty BL/ Multimodal Transport Document (if last leg of journey is by sea)	To Order	Original BL duly endorsed by the shipper
	To Order of the Issuing Bank	Original BL duly endorsed by the issuing bank
Bill of Lading/Charterparty BL/ Multimodal Transport Document (if last leg of journey is by sea)	In the Name of the Issuing Bank	Delivery order issued by the issuing bank with or without original BL (at the discretion of shipping company and subject to legal jurisdiction)
	To a named party	Original BL or Valid identification proof of the named party (at the discretion of shipping company and subject to legal jurisdiction)
Non-Negotiable Sea Waybill/Air Waybill/Rail Waybill/CMR (RoadWaybill)	Name of the issuing	Delivery order issued by the issuing bank
Non-Negotiable Sea Waybill/Air Waybill/Rail Waybill/CMR (RoadWaybill)	To a named party	Valid identification proof of the named party
Courier receipt/Post Receipt	To a named party	Delivery at the address stated (may need a valid identification proof)

# Multimodal Transport Document (if the last leg of the journey is by a mode other than sea):

The requirements for the release of goods will be governed by the rules and practices applicable to that specific mode of transport (e.g., road, rail, or air).

# Inland Waterway Transport Document:

May be issued in the form of a Bill of Lading (BL) or a Sea Waybill. The release of goods will be based on the form in which the document is issued.