



SAFER, SMARTER AND FASTER GLOBAL TRADE

Bolero Insights: Electronic Bill of Lading for Carriers Frequently Asked Questions

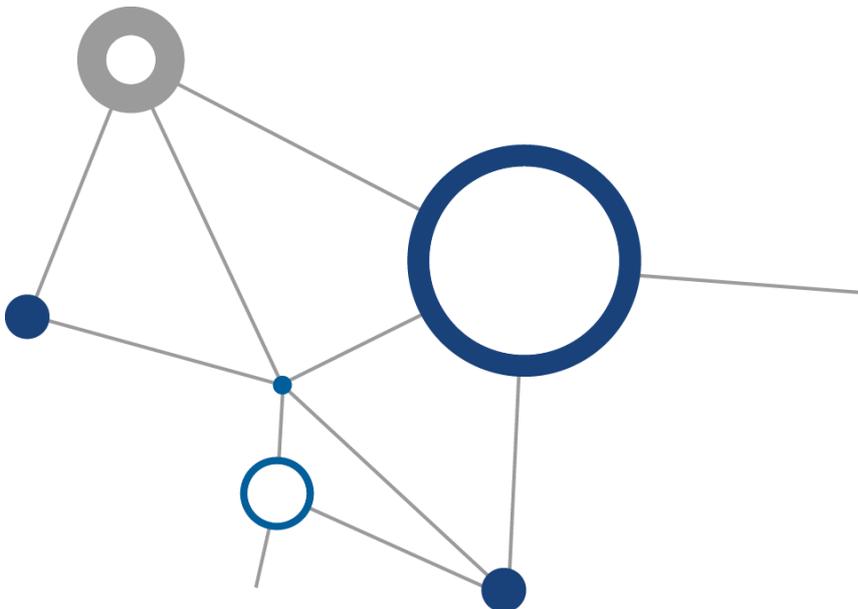


Table of Contents

Introduction	3
What is an electronic Bill of Lading?	3
How can I issue an electronic Bill of Lading?	3
How does the electronic Bill of Lading work?	3
How can I create an eBL?	3
Why a Title Registry?	4
Who can create an eBL?	4
If the load port agents prepare and/or issue bills for the ship owner. How will that work for eBLs?	4
What about image and printed copies?	4
What if the eBL needs to be changed?	4
What if the holder requires a paper version?	5
How does the surrender process work?	5
What happens at the discharge port? How does the carrier know that the eBL has been surrendered?	5
Can I rely on the terms and conditions in the Bill of Lading?	5
What about multiple copies?	5
Can I track the eBL as it moves from holder to holder?	6
What about Customs?	6
What about P&I coverage?	6
Can I integrate to my own Bill of Lading systems?	6
What impact does the eBL have on Letters of Indemnity (LOIs)?	6
How secure is the Bolero system?	6
What documentation do I need to complete to get started? What do I need to do to get ready to issue eBLs?	6
What is the enrolment process?	7
What is a RID?	7
Who needs to register?	7
Can the owner issue multiple Power of Attorney documents to various operators/managers?	7
What would be the role of Ship manager/disponent owner?	7
What is the BIMCO Clause?	7
Can the system work with charterers Bills of Lading?	8
What about training?	8
Do I need to install software or buy hardware?	8
How long does it take to get started?	8
Where can I find out more?	8

Introduction

Fully electronic exchange of trade documentation is only achievable if complex documents of title including bills of lading are supported. These types of documents have to be accepted as valid originals by all parties in a transaction – from the carrier to the shipper, banks and port/customs authorities. To achieve this level of acceptance any solution must be able to demonstrate that an electronic bill of lading is original, authentic, unique and unaltered. Without these qualifying criteria, an electronic document simply is a copy of an existing paper original. Bolero was the first technology company to achieve these standards and demonstrate industry acceptance, including approval by the International P&I Group insurers.

What is an electronic Bill of Lading?

An electronic Bill of Lading (eBL) is not simply an electronic version of the paper Bill of Lading. Rather it is a combination of a legal framework (the Bolero rulebook) and technology which can replicate the functions of a traditional paper Bill of Lading:

- It confirms receipt of goods
- It acts as the contract of carriage
- It is a document of title

As with a traditional Bill of Lading (BL) there are two principle types of electronic Bill of Lading (eBL) supported by Bolero:

1. Straight (non-transferable/non-negotiable) - which will name the shipper and the consignee
2. Transferable/negotiable - which will name the shipper and be made out to order (either a specific party 'Order of XX') or blank (blank endorsed or bearer eBL)

How can I issue an electronic Bill of Lading?

As a carrier, you can integrate the creation of eBLs easily and effectively into existing operations. There are a number of solutions for any carrier to adopt eBL capability which include:

1. **Bolero User Interface:** upload image of paper BL, created from your existing BL software.
2. **Bolero Web Gateway:** automated message exchange based on configurable secure automated message integration using secure FTP space
3. **Embedded Specified Interface:** fully automated Bolero message exchange, typically used by organisations with large projected volumes (integration)

How does the electronic Bill of Lading work?

- A Bolero eBL can only have one Holder at any time
- There must be a Holder at all times
- The Title Registry records who is the Holder
- Holdership is the electronic equivalent of possession of the physical paper Bill of Lading

How can I create an eBL?

Typically, most carriers start by uploading scans of their paper BL's or PDF files that have been generated by their existing systems. Rather than issue the paper outputs as a BL, the

scanned document is used to form part of the eBL in Bolero. The carrier (or agent acting on the carrier's behalf) logs into the Bolero System and imports this document into Bolero. The second part is to create a TR (Title Registry). It takes a matter of minutes to create the TR and issue an eBL.

Once the TR is created this is then electronically signed and sent through the Bolero platform. The Bolero Title Registry will send the eBL to the first Holder (typically the shipper).

If you have integrated full structured data automation with Bolero, there is no need to upload an image of the document.

Bolero offers a unique migration path allowing carriers to move at their own pace to a fully structured, straight through processing (STP) environment by offering non-structured data use capabilities.

Why a Title Registry?

Because a BL represents rights over the goods described, there is an absolute requirement that the BL is **unique** and **original**. The Title Registry is a database which records the lifecycle of the eBL and ensures that once is created, the eBL cannot be changed by anybody but the carrier and that it cannot be duplicated as an eBL. The Title Registry ensures that there can only be a single Holder of a Bill at any one point in time.

Who can create an eBL?

As with paper bills, many owners delegate authority to others to issue eBLs on their behalf. Sometimes this authority is delegated to ship operators, sometimes to ship managers. Load port agents are frequently authorised to issue eBLs (in much the same way that they are with traditional bills). eBLs give owners the opportunity to have more control over the Bills of Lading issued under their name but it does not require the actual headowner to use or operate the system.

If the load port agents prepare and/or issue bills for the ship owner. How will that work for eBLs?

Whilst it is possible to sign eBLs anywhere (e.g. carriers head office), we have seen that carriers tend to use their agents in the load port who are responsible for creating the paper document to upload and issue the eBL on their behalf. The carrier will provide a login ID and a Bolero user certificate to the load port agent to enable them to create the eBL. The carrier stays in control of these logins and manages them directly.

What about image and printed copies?

It is possible to print out a copy of the document in the same way as it is possible to photocopy a Bill of Lading, but these simply represent copies which may have use in relation to the data they contain but are of no value in transferring rights, which is managed through the Title Registry. It can also be added to the BL data that the document is an electronic Bill of Lading hence the paper has no value.

What if the eBL needs to be changed?

An amendment like split bill, switch bill, for example, can be requested by the holder of the eBL. It is the carrier's choice as to whether the request is granted or denied. There is functionality in the Bolero interface to ensure that the holder formats the request correctly. The amendment request will

transfer the eBL back to the carrier whilst the amendment request is pending. This ensures that there can only be **one** eBL for the goods at one time.

What if the holder requires a paper version?

There is specific functionality in the Bolero interface to allow the holder to request the replacement of an eBL to be replaced with a traditional paper bill of lading. A request of this nature will result in the termination of the eBL and the carrier will be safe to issue a traditional paper Bill of Lading. Used properly, there is no chance of an eBL and paper bill of lading covering the same cargo existing at the same time.

How does the surrender process work?

The eBLs can move between parties and be surrendered much quicker than a traditional BL. Delivery of the cargo will be subject to your normal practices and procedures (including freight and demurrage payments) and these will vary from port to port. With Bolero it is easy to verify if the eBL has been surrendered. Delay in the paper processes are the most common reason for bills of lading not being available at the discharge port. Thus, using an eBL means far fewer occasions when a Letter of Indemnity (LOI) is required, reducing risk and the administrative burden caused by LOIs.

What happens at the discharge port? How does the carrier know that the eBL has been surrendered?

When an eBL has been surrendered the Carrier will receive an automated email from Bolero notifying them of this action. This prompts the Carrier to log-in to the system and view the transaction folder in the Bolero application.

Can I rely on the terms and conditions in the Bill of Lading?

The terms and conditions form part of the eBL contract and are included in the eBL document. Terms and conditions dealing with limitations and exclusions of liability are exactly the same. The rulebook ensures that the terms and conditions attaching to the Bill of Lading (usually seen on the reverse of the bill) will also apply in the event that an eBL is issued. Furthermore, the International Group of P&I Clubs has confirmed coverage for owners who use an approved system. The Bolero System is approved by the International Group.

What about multiple copies?

The system is designed to create a unique Title Registry record for each eBL. The technology ensures that this unique Title Registry record always has the unique eBL document. The technology also ensures that the holder can only transfer the holdership to one other party and once that has been done the previous holder has no other rights over the eBL. A common assumption is that the eBL document is the eBL. This is not accurate. Without the Title Registry record the eBL document has no status and represents no more than a scan or a photocopy of the data it contains. If a party intends to use a print out as a surrender of an eBL this should be refused. This has the same value as a photocopy or a fax of a cheque.

Can I track the eBL as it moves from holder to holder?

The system is designed to replicate the flow of a paper Bill of Lading. So unless you are asked to replace or change the eBL you won't automatically be able to see who holds the eBL at any particular time until the final holder surrenders the eBL to you.

What about Customs?

We have not encountered difficulties with Customs. Customs Authorities are interested to know what cargo is on the ship. In many cases using traditional Bills of Lading the original Bill of Lading is not available at the time of discharge. Furthermore, sea waybills are not required to be presented at discharge to take delivery. Customs Authorities are not concerned with having the original bill. Experience has shown that this hasn't been necessary. If it does prove necessary, there is a simple work around.

What about P&I coverage?

Bolero eBL was the first to be reviewed and approved by the International Group of P&I Clubs. P&I will cover liability for loss of or damage to cargo under a Bolero eBL on the same basis as if a traditional bill of lading had been issued.

Can I integrate to my own Bill of Lading systems?

Yes, you can integrate your own systems to communicate with Bolero. This is typically achieved through gateway and mapping functionality.

What impact does the eBL have on Letters of Indemnity (LOIs)?

An eBL significantly reduces the likelihood of goods having to be discharged prior to surrender of the BL therefore reducing the requirement for LOIs. For example, a Bolero customer has seen a 90% reduction in LOIs in the 6 months since going live with their first eBL.

How secure is the Bolero system?

The Bolero System is very secure indeed. Bolero applies the highest levels of technical and physical security to its Bolero Exchange platform. eBLs are signed with digital certificates (as used in banking for electronic funds transfer) which provide an encrypted, unique signature. The communication channels are encrypted and the Bolero Exchange software is hosted in a secure data centre. Penetrations tests are carried out by specialist IT security organisations. In addition, Bolero is audited by CSC according to SSAE16 (replacement for SAS70) each year by an external auditor. We currently move more than 7 Million messages per annum underpinning transactions valued at an estimated US\$81 Billion (hundreds of millions of dollars per day). The Bolero System was designed and built by SWIFT which is responsible inter-bank messaging and provides a core component to the world of financial services. We have been in business for over 15 years and we have never lost or mis-delivered a message. We provide services to around 70 of the world's largest banks who have very high compliance standards.

What documentation do I need to complete to get started? What do I need to do to get ready to issue eBLs?

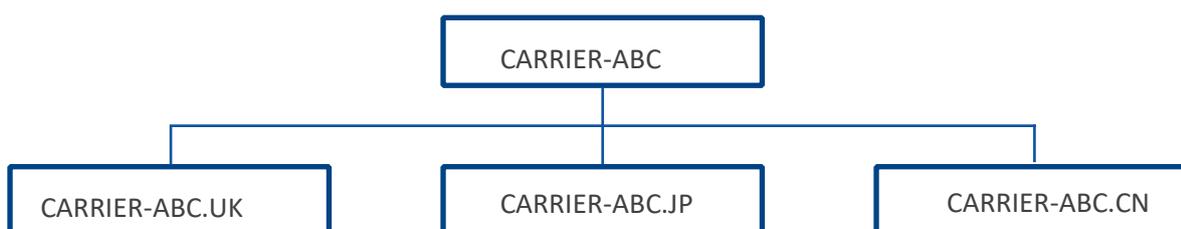
You need to sign a simple agreement with Bolero International and then start the enrolment process to use the Bolero System. Once registration is complete, you will receive your unique digital certificate and RID, which will allow you to create other users and sign Bolero messages.

What is the enrolment process?

Security and identity verification are very important elements of any electronic system and more so where valuable original documents are being created and transferred. Enrolment performs two essential functions: Confirms that you agree to be bound to the terms of the Rulebook, the contractual structure that makes eBL's work and it provides you with the Certificate that is used to sign Bolero messages.

What is a RID?

RID means Registered Identifier. The RID is used for addressing the carrier messages and to identify the company. It is also possible to specify a location or department to other users of Bolero System. Each RID has a Root, which clearly identifies the owning company. In case of big organizations, sub-RIDs can be used. This is illustrated in the below example:



In this example, CARRIER-ABC is the Root RID and the sub RIDs were created for their offices based on geographic location.

Who needs to register?

The party who is the carrier needs to register. In bulk trades this is typically the head owner. As mentioned above both enrolment and operation can be delegated to others and this happens frequently on vessels under long term time charter where the head owner has little direct operational involvement with the vessel.

Can the owner issue multiple Power of Attorney documents to various operators/managers?

The owner can provide multiple Power of Attorney documents to various operators. The owner will have multiple Bolero RIDs through various operators. Another option would be the owner to join in Bolero, be the BASA (admin and security account) and then create users certificate/accounts for the operators so they can create the eBLs on the owner's behalf.

What would be the role of Ship manager/disponent owner?

It is common for the ship manager or the disponent owner to have certain tasks delegated to it as the carriers' authorised representative.

What is the BIMCO Clause?

Recognising that the use of electronic bills of lading was becoming widespread, BIMCO (a ship owner's association) decided to draft a standard clause dealing with electronic bills for insertion in charterparties. The committee formed to consider the clause consisted of ship owners, leading charterers, P&I Clubs and the service providers.

Can the system work with charterers Bills of Lading?

Yes. A number of charterers/operators have started to issue charterer's eBLs in their own name (i.e. where they are the contractual carrier rather than the headowner). Having analysed the position they have realised that there is very little difference between the risks incurred when issuing bills in their own name compared to the more traditional method. Claims are apportioned in accordance with the International Group of P&I Clubs InterClub Agreement irrespective of who is the contractual carrier under the bill of lading

What about training?

Bolero provides two web-based training: an admin training and a user training. Supporting material is also provided after the training. Web-based training is free of charge.

Do I need to install software or buy hardware?

Whilst it is possible to integrate your systems to Bolero it is unlikely that you will want or need to do this initially. Uploading PDF or scans of the outputs from your existing BL system is non-disruptive and promotes effortless adoption of eBL capabilities. To fully automate the process with your operational platform, Bolero can provide your technical team a detailed XML/EDI spec of the data fields required to create an eBL.

There is a small downloadable plug-in which is needed to sign Bolero messages that Bolero provides free of charge. But this is only for the first administrator. All other users will be able to access Bolero from any computer, with their login details (name & password) and a one-time password generated by a token, google authenticator app in their smart phone or via Bolero authenticator desktop app.

How long does it take to get started?

You can be ready to go very quickly (within days) if there is an urgent need. However, it is always better to avoid a last minute rush so we would usually say one to two weeks would typically be more practical. This will give you time to review the material, agreement, to enrol and conclude the web based trainings.

Where can I find out more?

Please contact us at info@bolero.net or full contact details can be found at www.bolero.net