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Managers of
**The Shipowners' Mutual Protection and
Indemnity Association (Luxembourg)**

TO ALL MEMBERS

September 2010

ELECTRONIC (PAPERLESS) TRADING SYSTEMS – BOLERO INTERNATIONAL LIMITED AND ELECTRONIC SHIPPING SOLUTIONS

Until February 2010 the Rules of all of the Clubs comprising the International Group of P&I Clubs (the Group) specifically excluded liabilities in respect of the carriage of cargo under all electronic, that is paperless, trading systems to the extent that the liabilities under such systems were greater than those arising under a 'normal' paper system, that is one using transferable paper documentation.

The Group, after reviewing a number of electronic trading systems, agreed that liabilities arising in respect of the carriage of cargo under such systems would be covered from 20th February 2010 provided that the system had first been approved by the Group. Two systems approved by the Group in their versions current at the date of this Circular are that administered by Electronic Shipping Solutions (the ESS system - version DSUA v. 2009.3) and that administered by Bolero International Ltd (the Bolero system - Rulebook/Operating Procedures September 1999). The websites of the two entities are www.essdocs.com and www.bolero.net.

The legal documentation associated with the use and operation of the two systems is reviewed by the Group and its legal advisers if and when amended by either of the organisations, to ensure that any modifications introduced by them meet the Group's requirements.

Traditional risks relating to the carriage of cargo excluded under Club Rules, will of course continue to be excluded in respect of ESS and Bolero in the same way as for paper systems, e.g. discharge at a port or place other than the port or place provided for in the contract of carriage, the issue/creation of an ante or post dated electronic document/record, delivery of cargo without the production of the negotiable electronic document/record.

Members should also be aware that participation in an electronic trading system may expose them to certain liabilities which are not of a traditional P&I nature. These may arise through vessel owners or charterers who wish to participate in either the ESS or Bolero systems being required to be party to particular contractual arrangements under which they assume obligations necessary for the system to operate. Examples of such liabilities may be for breach of confidentiality undertakings or of obligations to maintain computer links. Members should be aware that, insofar as such risks are not of a traditional P&I nature, other insurance arrangements may be required.

Finally it would be helpful to the Group, in monitoring the use and development of the two systems, if Members who are using either of them would advise the Managers that they are doing so and of any benefits or difficulties which they encounter, legal or practical, in the operation of either system.

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