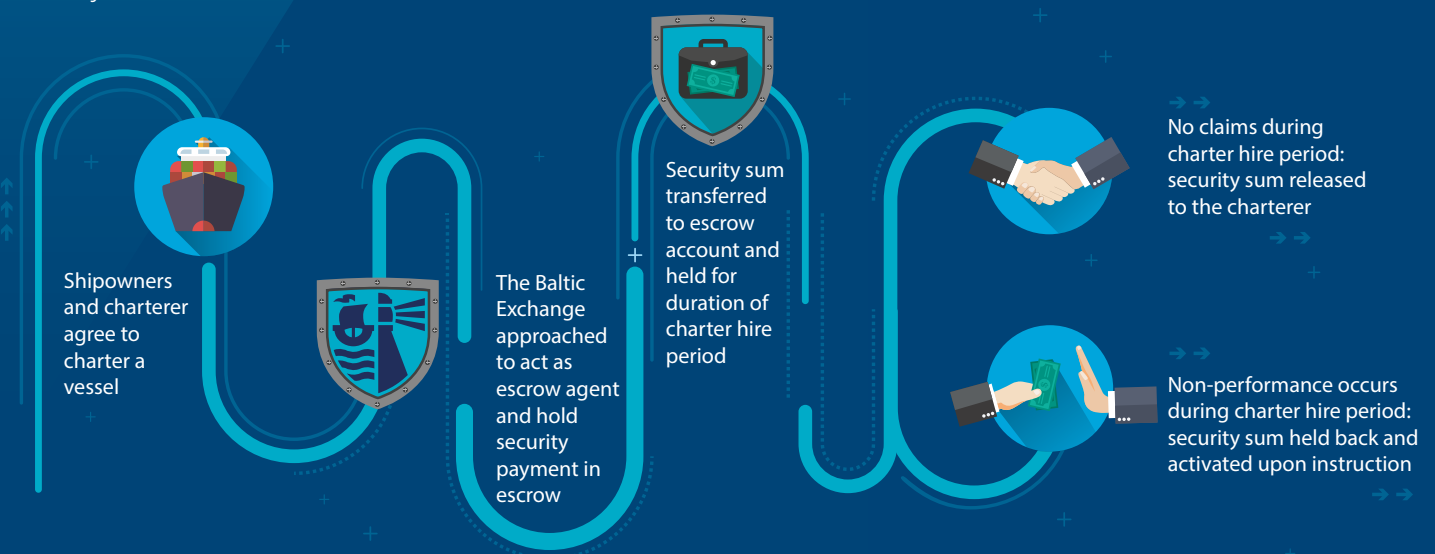# Baltic Exchange Escrow Service

Security Payments

Using escrow in security payments for chartering

The chartering of vessels carries a degree of risk of non-performance for both shipowners and charterers. The stakes are higher when dealing with new or unfamiliar counterparties. The Baltic Exchange helps shipowners and charterers mitigate these risks during the chartering process by facilitating and holding a security payment relating to the charter in a dedicated escrow account.

The security payment typically represents a pre-agreed amount between the parties and is held as collateral to ensure that both parties fulfil their contractual obligations. Having the Baltic Exchange as the escrow agent gives all parties involved confidence that the service will be delivered with the highest level of professionalism, reliability and security.

Shipowners and charterer agree to charter a vessel

The Baltic Exchange approached to act as escrow agent and hold security payment in escrow

Security sum transferred to escrow account and held for duration of charter hire period

No claims during charter hire period: security sum released to the charterer

Non-performance occurs during charter hire period: security sum held back and activated upon instruction

Examples of use cases

Time charters
Security sums paid by the charterer into an escrow account for the duration of the time charter, to be released after vessel redelivery.

Voyage charters
Prepayment of freight payment by the charterer into an escrow account as a security sum, to be released upon cargo discharge.

Benefits of using escrow service for chartering transactions

- Ensures that interests of all parties are protected.
- Provides assurance that contractual obligations are fulfilled before funds are released.
- Enables conditional release of the agreed security sum on pre-agreed, structured terms.
- Helps shipowners as well as charterers mitigate risks related to counterparty non-performance.
- Provides support for smaller, less well-known and/or new charterers to hire vessels.
- Allows shipowners to transact with a wider pool of charterers.
- Prompt onboarding and timely release of funds upon instructions from both parties.
- KYC onboarding process by the Baltic Exchange provides an added level of assurance to counterparties.

To learn more about the escrow service and how we can support your escrow needs, please contact us at **escrow@balticexchange.com**.

Baltic Exchange