

**LMAA STANDARD LETTER OF GUARANTEE/UNDERTAKING  
FOR  
SECURITY FOR COSTS**

To: [Secured Party]<sup>1</sup>  
C/O: [Their Solicitors]

Dear Sirs,

Matter: [name of vessel; date of charterparty etc.]

[In consideration of your refraining from applying to the Tribunal and/or the High Court of Justice for an Order that]/[Pursuant to an Order of the Tribunal dated that]<sup>2</sup> the [Claimant(s)]/[Respondent(s)] [identify Claimant(s) or Respondent(s)], do give security for your costs of defending [the Claimants' claim]/[the Respondents' counterclaim] in the Arbitration, we hereby [guarantee/undertake] to pay to you or to your solicitors on first written demand within 14 days such sums as represent such of your costs of defending [the Claimants' claim]/[the Respondents' counterclaim] in the Arbitration up to and including [specify stage of proceedings] as may be awarded, agreed, or taxed as being due to you from [identify Respondent(s) or Claimant(s)], plus interest<sup>3</sup> thereon pursuant to statute from the date of (i) an award directing costs to be paid, or (ii) agreement between the parties (if such agreement provides for interest on costs to be paid) or (iii) an order directing taxation provided always that our liability hereunder shall not exceed the sum of £[figures][in words] plus interest<sup>4</sup> thereon as aforesaid, and provided always that you shall have liberty to apply to the Tribunal for further security.

[This [guarantee/undertaking] shall be for a period of one year from the date of this letter but shall be automatically renewed on the same terms by us on your written demand made before the date of such expiry and shall thereafter be automatically renewed before or upon the expiry of each successive year on the same terms as set out herein]<sup>5</sup>

This [guarantee/letter of undertaking] is to be governed by and construed in accordance with English law and we hereby submit to the exclusive jurisdiction of the English High Court for the purpose of enforcement hereof.

Yours faithfully,

**[Securing Bank/P&I Club/Solicitors]**

1. This will either be the Respondents. or, where counterclaiming Respondents are called upon to provide security, the claimants.
2. No consideration is required to be stated, it being obvious that the consideration moving from the secured party is that, pursuant to the Order, no further application for the time being will be made for security for costs.
3. This term is included although it is open to the parties not to include interest in the agreement if, particularly in the ease of security put up by banks, it is not common to do so.
4. When the undertaking is being provided by a firm of solicitors who hold the sum secured on deposit in their client account, the rate of interest achieved may differ from the judgment rate payable. In order to compensate for this, and so as not to leave themselves with a shortfall, solicitors should request additional sums from their clients to place on deposit. In any event there would usually be a long time lapse between giving this undertaking and the date of award, agreement, or order directing taxation from which interest would run, and in that interim, enough interest would usually accumulate to cover any shortfall.
5. This clause may be deleted, save where it is required by a guarantor bank.