

Key Fact Document on International Bank Guarantees

Types of Guarantees issued

1. Re-issuance of bank guarantees against counter guarantees
2. Issuance of Outward bank guarantees
3. Advising of bank guarantees and Standby letters of credit

Definition of an International Guarantees

A guarantee, or bond as its sometimes known, provides your supplier/employer (the beneficiary) with acceptable security if you (the applicant/contractor) fail to fulfil your obligations in the underlying contract.

We can arrange many different types of guarantees to cover different risk scenarios.

Listed below are some of the international guarantees we arrange most frequently.

- Bid Bonds (Tender Guarantee)
- Performance Guarantee
- Advance Payment Guarantee
- Retention Guarantee
- Facility/financial guarantee

➤ Bid Bond

Also known as a tender guarantee are submitted at the time of tendering an invitation to Bid for various contracts. The bid bond provides financial protection to the employer in case the contractor fails to fulfil their obligation.

➤ Performance Guarantee

A performance guarantee is used to secure the applicants fulfilment of its contractual obligations toward the beneficiary.

Performance bonds replace the bid bonds post award of the contract.

➤ Advance Payment Guarantee

A guarantee issued, in relation to any advance payment that is made by the buyer to the seller to allow the contract to commence.

If the contract is not completed the buyer can claim reimbursement of the advance payment under the guarantee from the bank.

➤ **Retention Guarantee**

Construction contracts usually provide for interim payments upon certificates from the contractor, which testify completion of a certain amount of work or a certain stage of the project.

In this event, contractors and employers often agree to the release the so-called retention moneys so that the contractor receives the full amount of the interim payment at once, in return for a retention guarantee.

➤ **Facility/Financial Guarantee**

Enables to secure banking facilities for a subsidiary, associate company in other countries. These guarantees are issued in favor of another bank which has granted its customer with credit facilities.

Basic requirements to manage above guarantees.

- Re-issuance of bank guarantees against counter guarantees
 1. The counter guarantee issuing banks credit worthiness must be acceptable to us and would be accommodated under limits approved for the respective bank.
 2. The format of the guarantee should be acceptable to us
 3. Subject to internal compliance clearance

- **Issuance of Outward bank guarantees for international projects and contracts**
 1. Subject to the Directions issued by The Central Bank of Sri Lanka under the foreign Exchange Act No 12 of 2017.
 2. The format of the guarantee should be acceptable to us
 3. Subject to internal compliance clearance

Other information applicable to the issuance of International guarantees

- **Applicable Rules**

Demand Guarantees can be issued under the internationally recognized Uniform Rules for Demand Guarantees (URDG 758) and/or the governing laws of Sri Lanka

Standby Letters of Credit can be subject to International Standby Practices 98 (ISP98) or Uniform Customs and Practice for Documentary Credits 600 (UCP 600).

- **Issuance**

Demand Guarantees can be issued directly to the beneficiary or issued indirectly to a local bank in the beneficiary's country, via authenticated swift

- **Fees and charges**

Issuance of outward guarantees -please refer our website <https://www.hnb.net/trade-services-tariff>

Standard bank formats covering the most common types of Guarantees

1. Bid Bond
2. Performance Guarantee
3. Advance Payment Guarantee
4. Retention Guarantee
5. Facility Guarantee

*** Above PDF formats can be accessed via the following link**

<https://www.hnb.net>

We manage many different types of guarantees to cover different risk scenarios.

To find out which is most suitable for your business, feel free to call our specialist Guarantees Team.

Contact us on: 0115320616 & 0115320678

You may also Email your request to us via email address: intl.guarantees@hnb.lk