

No. C-30019/6/2007-Vig

Dated, the 22nd January, 2008

OFFICE MEMORANDUM

Subject : Acceptance of Bank Guarantees.

The undersigned is directed to enclose a copy of the Central Vigilance Commission's O.M. No. 02.07.01-CTE-30 dated 31st December, 2007 on the above mentioned subject for necessary action.

(Enclosure to Ministry of Shipping, Road Transport & Highways, Department of Road Transport & Highways, letter No. C-30019/2001-Vig. dated 22.1.2008)

No. 02-07-01-CTE-30

Govt. of India

Central Vigilance Commission

OFFICE MEMORANDUM

Circular No. 01/01/08

Dated, the 31st December, 2007

Subject : Acceptance of Bank Guarantees

A number of instances have come to the notice of the Commission where forged/fake bank guarantees have been submitted by the contractors/suppliers. Organizations concerned have also not made any effective attempt to verify the genuineness/authenticity of these bank guarantees at the time of submission.

2. In this background, all organizations are advised to streamline the system of acceptance of bank guarantees from contractors/suppliers to eliminate the possibility of acceptance of any forged/fake bank guarantees.

3. The guidelines on this subject issued by Canara Bank provides for an elaborate procedure, which may be found helpful for the organizations in eliminating the possibility of acceptance of forged/fake bank guarantees. The guidelines issued by Canara Bank provides that-

"The original gurantee should be sent to the beneficiary directly under Registered Post (A.D.). However, in exceptional cases, where the gurantee is handed over to the customer for any genuine reasons, the branch should immediately send by Registered Post (A.D.) an unstamped duplicate copy of the gurantee directly to the beneficiary with a covering letter requesting them to compare with the original received from their customer and confirm that it is in order. The A.D. card should be kept with the loan papers of the relevant gurantee.

At times, branches may receive letters from beneficiaries, viz., Central/State Governments, public sector undertakings, requiring bank's confirmation for having issued the guarantee. Branches must send the confirmation letter to the concerned authorities promptly without fail."

4. Therefore, all organizations are advised to evolve the procedure for acceptance of BGs, which is compatible with the guidelines of Banks/Reserve Bank of India. The steps to be ensured should include:

- i) Copy of proper prescribed format on which BGs are accepted from the contractors should be enclosed with the tender document and it should be verified verbatim on receipt with original document.
- ii) It should be insisted upon the contractors, suppliers etc. that BGs to be submitted by them should be sent to the organization directly by the issuing bank under Registered Post (A.D.).
- iii) In exceptional cases, where the BGs are received through the contractors, suppliers etc., the issuing branch should be requested to immediately send by Registered Post (A.D.) an unstamped duplicate copy of the gurantee directly to the organisation with a covering letter to compare with the original BGs and confirm that it is in order.

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- iv) As an additional measure of abundant precaution, all BGs should be independently verified by the organizations.
- v) In the organisation/unit, one officer should be specifically designated with responsibility for verification, timely renewal and timely encashment of BGs.

5. Keeping above in view, the organizations may frame their own detailed guidelines to ensure that BGs are genuine and encashable.

6. Receipt of the above guidelines should be acknowledged.