



BOV Bank Guarantees

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General Product Information

The Bank of Valletta p.l.c., Guarantees Department was set up in November 2003 and forms part of the Bank's Trade Finance Centre. Its aims are to provide Customers with professional Trade Finance services which include personal meetings with Customers and issuance of Bank Guarantees.

What is a Guarantee?

When BOV issues a guarantee upon the request of the Customer, it binds itself to pay a specified sum to the intended Beneficiary. This payment is effected upon the Beneficiary's first written demand.

Types of Guarantees

The BOV Trade Finance Centre offers a number of standard guarantees and the following are the most commonly used:

Guarantee	Definition
Bid Bond	Also known as a Tender Guarantee, the Bid Bond is requested by the Tenderer to ensure that bidders do not withdraw or alter their tenders before adjudication and that they will accept and sign the contract if awarded.
Performance	Assures payment in the event that contractors do not fulfil their contractual obligations as specified in the underlying contract.
Advance Payment	With most major contracts, the exporter or contractor negotiates for an advance payment in order to be able to finance the transaction. The importer or employer will require an advance payment guarantee thus assuring refund of the down-payment in the event of non-execution.
Payment	Payment guarantees are used as security for payment obligations such as those usually occurring in connection with a contract of sale, a take-over, a lease, a construction contract, loans, bond issues, etc. They are often used to cover open account terms that provide 30, 60 or 90 days credit.
Demand	The Demand Guarantee incorporates various simple payment guarantees which may be claimed upon default of a predefined agreement. Five demand guarantees are currently available: Waste Mgt Strategy; Comptroller of Customs; Commissioner of VAT; Director Malta Transport Authority; Other Beneficiaries.
Customs	Payment of Excise Duties and VAT can be avoided by an undertaking to re-export goods or equipment that is backed-up by a Customs Guarantee. The tax exemption is withdrawn and the guarantee can be called in if the goods have not left the country by the end of the expected period of use. This instrument can also be used for goods stored in bonded warehouses and subsequently sold on the local market.
MEPA	A standard guarantee requested by the Malta Environment & Planning Authority (MEPA) in order to ensure that the applicant adheres to the terms and conditions as specified in the permit.
Partial Payment	Partial Payment guarantees are similar to Payment Guarantees but incorporate a reducing clause which states that the guarantee amount is reduced by the amount paid.
Credit Facility	This type of guarantee covers the banking facilities granted to a BOV Customer, or to a third party by another bank. A claim is lodged if the borrower defaults on repayment of loans/overdrafts.
Judicial Award	Judicial guarantees are issued in favour of a creditor in order to discharge a conservatory attachment order. These guarantees are payable by submission of the final court judgment, that is, 90 days after court judgment, and therefore do not have a fixed expiry date.
Appeal Cost	This guarantee is requested by the court prior to initialisation of an appeal and covers all costs related to the appeal. Like the Judicial Award Guarantee, there is no fixed expiry date and the guarantee automatically expires six months from the appeal judgment.
Foreign Banks	Foreign Guarantees are used when the Beneficiary is a foreigner. The intervention of the Foreign Bank, normally provided by the beneficiary as a swift message MT760, is processed in two ways: Issue: The foreign bank authenticates the BOV message and passes on same without any responsibility on their part. Request: BOV requests the foreign bank to issue the guarantee for the account of the applicant against which BOV then covers the foreign bank with a Counter-Guarantee.
BOV Legal Office Approval	If the requested guarantee wording is not standard, BOV Legal Office approval is sought and approval or amendment of the wording is effected as required.

Frequently Asked Questions

The objective of the Bank Guarantee is to protect the Beneficiary from risks sustained should the Applicant not fulfil the obligations assumed under a specified contract/agreement terms. Should the Applicant fail to fulfil such obligations, the Beneficiary will claim the sum under the terms of the Guarantee. The following are some frequently asked questions about Bank Guarantees:

What is the difference between Bid-Bonds and Performance Guarantees?

A Bid-Bond is required at the bidding stage of a tender to ensure that bidders do not withdraw or alter the tender before the adjudication and that they will accept and sign the contract if awarded. The person/entity awarded the tender is required to submit a Performance guarantee in order to ensure fulfilment of the underlying contract.

What is a Counter-Guarantee?

Beneficiaries frequently stipulate the issue of a guarantee by a Bank in their own Country. In this respect the Issuing Bank has to be indemnified by the Instructing Bank by means of a Counter-Guarantee.

What is an Open-Ended Guarantee?

An open-ended guarantee is a guarantee without a fixed expiry date. An example of such a guarantee is the Judicial Award guarantee, which expires 90 days from final judgment.

What is a Standby Letter of Credit?

Standby Letters of Credit are used by American Banks in replacement of Guarantees and perform the same function.

What is a Transit Guarantee?

Within the EU Community, customs duties and other charges applicable to goods in transit are temporarily suspended within the confines of the Community. The guarantee ensures that payment of debts is effected.

Can we accept a guarantee valid for a period of over 1 year?

The Guarantee's validity / expiry date should not exceed one year from its date of issue, however this can be renewed for further periods (not to exceed one year) upon receipt of written instructions from the Applicant.

Can an expired guarantee be extended?

When a guarantee expires it is considered as null and void and a fresh guarantee should be opened. However this can be exceeded if both parties concerned give their consent/agreement for the expired original guarantee to be renewed.

Can a guarantee be cancelled without return of original documents?

The original document has to be retrieved if the guarantee is still valid, however, for expired guarantees a period of one month is allowed for retrieval of the original document. Failure to retrieve same after elapse of one-month's grace will result in cancellation of guarantee.

Is the spouse's signature required on the Indemnity form?

Not if the Customer is signing on behalf of the Company. A spouse's signature is required only when the married client is acting in a personal capacity.

Can a guarantee be subject to an Applicable Law other than Maltese?

Guarantees are issued subject to Maltese Law, however, if the Bank is presented with a request which is subject to another Applicable Law, the BOV Legal Office's advice is sought and authorisation is solicited prior to issuance of the guarantee.

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In favour of whom should Judicial Award Guarantees be issued?

These guarantees were once issued in favour of the Courts of Malta, however, this practice has changed and Judicial Award Guarantees are now being issued in favour of the Creditor of the Court Warrant.

Who are the parties to a Guarantee?

In the case of Direct Guarantees, it is the Principal (Account Party), the Guarantor (Bank), and the Beneficiary (Creditor).

For Indirect Guarantees, it is the Principal (Account Party), the Instructing Bank (Counter-Guarantee), the Issuing Bank, and the Beneficiary (Creditor).

Does BOV accept nonstandard Guarantees?

Customers are generally provided with pre-set templates as formulated by the Bank's Legal Office so any amendments are forwarded to the Bank's Legal Office for prior approval.

What margin is taken on Guarantees issued in a Foreign Currency?

Foreign Currency margins cover exchange risk, and the margins applied are periodically reviewed by the bank in accordance with the International Financial going rates.

Your Checklist

As the applicant, you will need to complete and sign a Guarantee Application form which incorporates an indemnity form, as provided by the Bank of Valletta p.l.c., to confirm that the details contained within are in conformity with your request.

In the event of a claim, the endorsed indemnity form authorises the Guarantor, in this case, Bank of Valletta p.l.c., to access the security, be it Cash Covered, Pledge on Funds, or a General Banking Facility.

When you take out a BOV Bank Guarantee, you need to present:

Documents Required		
Bid Bond	Tender number, Description of Tender & Expiry date.	Amount & the Bank's Guarantee Application Form.
Performance	Tender number & date. Acceptance number & date. Description of Contract.	Expiry date, Amount & the Bank's Guarantee Application Form.
Advance Payment	Contract / Agreement number, date & description. The Advance Payment as a percentage of the total contract value. Expiry date.	Amount & the Bank's Guarantee Application Form.
Payment	Description of Contract / Goods Imported, Invoice number & Payment Terms (if applicable)	Expiry date, Amount & the Bank's Guarantee Application Form.
Demand	Description of Goods / Service & Expiry date.	Amount & the Bank's Guarantee Application Form.
Customs	Description of Import & Expiry date.	Amount & the Bank's Guarantee Application Form.
MEPA	Permit number, Description of Permit & Expiry date.	Amount & the Bank's Guarantee Application Form.
Partial Payment	Description of Goods/Services & Expiry date.	Amount & the Bank's Guarantee Application Form.
Credit Facility	Expiry date & Amount.	The Bank's Guarantee Application Form.
Judicial Award	Warrant number & Warrant type.	Amount & the Bank's Guarantee Application Form.
Appeal Cost	Details of Appeal Case & Amount.	The Bank's Guarantee Application Form.

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Foreign Banks	Given that this guarantee can be one of two formats, the requirements vary according to the type of guarantee requested. Your BOV Trade Finance representative will advise you accordingly.
BOV Legal Office Approval	The required information varies according to the type of guarantee requested. Your BOV Trade Finance representative will advise you accordingly.

Your Next Step...

Feel free to contact us at the BOV Trade Finance Centre on telephone numbers 2275 5273 – 5, 2275 5246 or 2275 5022, via fax on 2275 5277 or by e-mail to Trade Finance Centre: guarantees@bov.com.

Important Information

Bank of Valletta p.l.c., (Bank or BOV) is committed to providing you with sufficient information that helps you to make informed decisions in relation to the acquisition of BOV products and services. We strongly recommend that you read this Product Information Guide carefully, and that you keep a copy of it for your reference.

If you would like to have anything in this Guide clarified, please feel free to contact us by e-mail to customercare@bov.com, or by calling our BOV Customer Service Centre on 2131 2020.

Throughout this Guide: the terms '**we**', '**us**' or '**our**' refer to BOV and each of our subsidiaries and associated companies, the issuer of the product or service; when we use the term '**you**' we mean you as the user of BOV products or services; when we refer to '**customer(s)**' we mean you or other user(s) of BOV products or services as applicable.

The Bank's Base Rate (BBR) means the basis, established by the Bank from time to time, on which the rate of interest payable generally on all Bank lending is determined. The current Bank Base Rate can be obtained either by visiting any BOV branch, or by calling our Customer Service Centre on 2131 2020 or through our website – www.bov.com.

Information contained in this Guide is subject to change from time to time and is up to date as at the stated Issue Date. BOV has no obligation to update, modify or amend this Guide or otherwise notify you of any change or revision.

The information provided in this Guide is general in nature and does not take into account your financial situation or investment requirements. Nothing in this Guide should be construed as a solicitation or offer, or recommendation, to acquire or dispose of any investment, product or service or to engage in any other transaction, or to provide any investment advice or service. Nothing contained in this Guide constitutes investment, legal, tax or other advice and is not to be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision.

This Guide is designed for use in Malta and is not directed to, nor intended for distribution or use by, any person or entity in any jurisdiction or country where the publication or availability of this Guide or such distribution or use would be contrary to local law or regulation. If you choose to use this Guide, it is your responsibility to comply with the applicable local, national or international laws and any use of this Guide outside Malta is entirely at your own risk. For guidance relating to your specific situation, please contact your legal adviser.

Use of BOV Products and Services is governed by the Terms and Conditions applicable once you sign the relevant application form and conditions.

Any complaints regarding the product or service should ideally be first discussed with an official of the Unit where the transaction took place or where the account is domiciled. If the response is not satisfactory, one may:

- contact the Bank's Customer Service Centre on 2131 2020; or
- write to The Manager, Customer Issues, Bank of Valletta p.l.c. 4th Floor, 45 Triq ir-Repubblika, Il-Belt Valletta, VLT 1113 - Malta; or
- complete a Bank's complaint form available in electronic format on our website – www.bov.com via 'Get in Touch'.

In the event that you are still not satisfied with the Bank's reply or no agreement was reached with the Bank, you may refer the matter in writing to the Office of the Arbiter for Financial Services, as per the contact details provided below:

The Office of the Arbiter for Financial Services, First Floor, Pjazza San Kalcidonju, Floriana FRN 1530, Malta.

Further information may be obtained through the official website: www.financialarbiter.org.mt; Freephone (local calls): 8007 2366 and Telephone: 2124 9245.

Our Interest Rates

Interest Rates on peripheral products affiliated with this service may incur their own rates. Please refer to our BOV Website for updated information, or contact any BOV Branch or our BOV Customer Service Centre on 2131 2020 for additional information.

Our Fees and Charges

Fees and charges may change after this product has been acquired and peripheral products may incur their own costs. Such costs are to be charged as per the Tariff of charges issued by the Bank from time to time in relation to its products and services and which is available at the branches of the Bank, on the website www.bov.com or by calling the Bank's Customer Service Centre on 2131 2020.

Important Information relating to the issuance of Bank Guarantees

1. The issuance of guarantees on behalf of its customers is a recognised function of the Bank of Valletta p.l.c.
2. Bank of Valletta p.l.c. binds itself to honour guarantees upon the Beneficiary's first written demand. Bank of Valletta is not incumbent to verify whether such demand is justified.
3. Although a specific contract or agreement is mentioned within the Guarantee text, the guarantee itself is a separate transaction and is not bound by the contract / agreement.
4. Guarantees issued by the Bank are considered as credit facilities, as these constitute a contingent liability. The normal advances and security considerations apply in sanctioning guarantee limits.
5. Existing liabilities in the name of the principal debtor and connected accounts have to be taken into account when sanctioning facilities under Manager's Discretionary Limit.
6. Guarantees are issued in various formats depending on the purpose of the respective guarantee.