

Bank Guarantees and Standby Letters of Credit

Are you looking for a product that could strengthen your position in a business contract?

A Bank Guarantee or Standby Letter of Credit will give you the security you need.

Description

Bank guarantees and Standby Letters of Credit (SBLC) are instruments that a company can use to enhance and/or secure obligations in an agreement. The bank guarantee is a security that is independent of the applicant's willingness or ability to fulfil their part of the agreement with the beneficiary of the guarantee. A guarantee could be either independent – a demand guarantee - on the underlying relationship between the applicant and the beneficiary or dependent to it – a suretyship guarantee. A bank guarantee or SBLC is a versatile instrument used in many different phases of a transaction. For example a guarantee could be issued to secure the repayment of a credit, or it is issued to secure performance under a commercial contract.

Advantages

Bank guarantees or standby letters of credit can be used

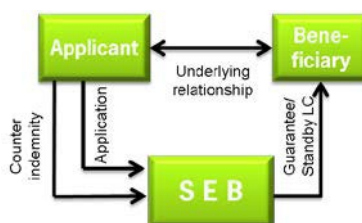
- instead of cash collateral;
- when there is a need for an additional security;
- when the financial strength of the counter party is uncertain.

The usefulness can be further enhanced and the security of the products increased by the issuance of

a local guarantee or confirmation of the SBLC.

How does it work?

After having approved the application SEB requests the applicant to submit a counter indemnity to the bank. The counter indemnity specifies, among other things, the rights and obligations of the applicant and SEB in relation to possible payment for claims under the guarantee. Once this is in place SEB issues the guarantee to the beneficiary.



Common types of guarantees

Tender/Bid Guarantee

Covers the buyer's cost and damages being forced to conduct the tender procedure again as a result of the tenderer's/bidder's failure to stand up to his offer after winning the contract.

Advance Payment Guarantee

This guarantee is used to secure the repayment to the purchaser of an advance payment in the event of the supplier's failure to deliver or faulty delivery.

Performance Guarantee

This guarantee supports an obligation to perform and includes an obligation to pay for losses arising from a default of the applicant in completion of the underlying performance.

Retention Guarantee

Supports an obligation to account for retention money made by the beneficiary to the applicant. The effect is that the supplier can obtain final payment earlier than would be the case if no guarantee was presented.

Warranty Guarantee/Maintenance Guarantee

Covers the maintenance or warranty period during which the exporter continues to be responsible for the adequate functioning of the equipment or works.

Information

For more information, please contact your local Trade Finance Customer Support.