

SITPRO

Simplifying International Trade

SITPRO's Report on the use of Demand Guarantees in the UK

July 2003

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Section 1 - Executive Summary

The use of demand guarantees is not an issue in which SITPRO has previously been involved. However, following a suggestion from one of SITPRO's Directors initial research was carried out into demand guarantees and the use of the ICC's Uniform Rules for Demand Guarantees (URDG). Following this initial research SITPRO undertook to carry out a survey into the use of demand guarantees.

Two surveys were produced – one for exporters and one for bankers. These can be seen at Appendix 1. These were distributed in February 2003 to a small sample of each and resulted in a good response. This report gives background information on demand guarantees, reports on the results of the survey and also draws conclusions on the results.

Answers to the survey have produced some interesting results. The main problems that have been raised are the lack of an expiry date in some demand guarantees (especially from some Middle Eastern countries) and the guarantee tying up cash flow (especially a problem for smaller companies). It was pleasing to note that exporters are happy to negotiate the wording of a guarantee with their customers (usually with help from their bank) and also to negotiate if payment from a guarantee is called.

Despite the problems reported it appears that experienced exporters have ways of avoiding these problems where possible. Where it is not possible to overcome the problems most respondents took a pragmatic approach and there were no reports of exporters turning away business because of the need to supply a demand guarantee.

It was encouraging to see that the majority of respondents had heard of the ICC Rules that can be applied to demand guarantees and stand-by letters of credit – namely URDG, the Uniform Customs and Practices for Letters of Credit (UCP500) and International Standby Practices for Letters of Credit (ISP98). It is noteworthy that it was reported that very few demand guarantees are subject to the URDG. However, virtually all respondents reported seeing benefits in using standby letters of credit subject to either UCP500 or ISP98.

A good number of exporters reported that they took out insurance cover against unfair calling. However, some respondents had not heard of this cover and there is a need to promote its availability.

In the near future SITPRO will issue a briefing about the use of demand guarantees. This will include information on how and why a demand guarantee may be requested, and the use of URDG as well as picking up on issues raised in the survey.

SITPRO would like to thank all of those exporters and banks who participated in the survey. For reasons of confidentiality they cannot be listed here, but their assistance is greatly appreciated.

Section 2 - Recommendations

Further detail on these recommendations can be found in Section 5 – Conclusions.

Recommendations Addressed to Exporters and Banks

1. There is a need to encourage the use of ISP98 for stand by letters of credit, whilst understanding that there may be certain sectors who prefer to continue to use UCP500 (possibly with exclusions).
2. In certain countries, it has occasionally been possible to overcome resistance to expiry dates in demand guarantees by using a stand-by letter of credit, whether governed by UCP500 or ISP98. Exporters may wish to consider exploring this possibility.
3. Consideration should be given to negotiating with the customer to have a smaller value guarantee or even to dispense with the need for a guarantee altogether (especially for smaller exporters).

Recommendation Addressed to Banks

4. Banks should set a good example in the use of URDG by including it in their counter-guarantees to other banks.
5. All banks should insist that the pay part of an extend or pay demand should comply with the pay part of the guarantee.

Recommendation Addressed to the Department of Trade and Industry

6. There is a need for more information to be made generally available about the UN Convention on Independent Guarantees and Stand-by Letters of Credit so that interested parties can consider it in detail. The Department of Trade & Industry should be encouraged to issue the necessary consultation document on the Convention.

Recommendation Addressed to SITPRO

7. There is a need to promote the availability of insurance against ‘unfair’ calling of a demand guarantee.
8. SITPRO should issue a briefing about demand guarantees to cover the basics of what a demand guarantee is, and also to examine the areas that have been raised in this survey.

Section 3 - What is a Demand Guarantee?

A demand guarantee is an undertaking by a bank (or other financial institution) for payment of a stated or maximum sum of money against a demand for payment and documents as stipulated in the guarantee. Many demand guarantees are payable on first demand without any additional documents, which reflects their origin in replacing cash deposits, although increasingly guarantees require at least a statement indicating that the principal is in breach. Demand guarantees are especially common in construction and project contracts and are frequently required by Middle Eastern customers.

There are two basic ways of issuing a demand guarantee – a direct guarantee or an indirect guarantee. A direct guarantee is where the seller's bank provides the guarantee directly to the buyer with the seller giving the bank a counter-indemnity. However, there are cases, either due to local regulations or commercial practice, where the buyer will insist that their own bank provides the guarantee. This is known as an indirect guarantee, where the seller will ask his bank to arrange for issue of the guarantee by the bank local to the buyer. The seller's bank will provide a counter-guarantee to the local bank with the seller providing a counter-indemnity to his bank as before.

Demand guarantees are used in a number of different contexts. The main ones are:

- tender or bid guarantee;
- performance guarantee;
- advance payment guarantee;
- retention guarantee; and
- warranty guarantee.

A fundamental feature of demand guarantees under English law is that the guarantee is completely separate from the underlying contract (i.e. the contract for sale of goods or services) between the buyer and the seller. This feature is incorporated into URDG. Additionally the guarantee given by the bank to the buyer is separate from the counter-indemnity given by the seller and also from any counter-guarantee given by the seller's bank to the buyer's bank in an indirect guarantee. This means that if a written demand is made by the buyer, accompanied by any additional documents called for under the guarantee, payment must be made, regardless of whether or not the seller has failed in any of its contractual obligations. This leads on to one of the problems of issuing a demand guarantee, that of unfair calling. Other problems include a balance sheet liability for the seller when the guarantee is issued, which additionally could be open ended if the buyer refuses to agree to an expiry date for the guarantee and also the possibility of the buyer demanding an extension to the guarantee, which if refused leads to a demand for payment (called 'extend or pay' demands). Exporters can protect themselves against 'unfair' calling by obtaining appropriate insurance. SITPRO's research has shown that the most significant problems are related to the balance sheet liability and the lack of expiry date in many demand guarantees.

ICC first published Uniform Rules for Contract Guarantees (Publication Number 325) in 1978. These rules did not gain much acceptance mainly due to the requirement for a judgment or arbitral award or the seller's written approval of the claim and its amount as a condition of the buyer's right to payment. As noted above, demand

guarantees were developed to replace cash deposits and the requirement of such paperwork took away the on demand nature of these instruments. The ICC's URDG were published in 1992 and designed to be more in accordance with established bank guarantee practice, where most demand guarantees are payable on first written demand. However, the URDG do seek to provide some protection against unfair calling.

It is worth noting that standby letters of credit can be seen as meeting the same purpose as a guarantee. They originated in the United States, where banks were not normally permitted to issue guarantees. Thus they have developed into a financial support instrument, and although they can fall under URDG it is more appropriate for a standby letter of credit to be issued subject to the ICC's Uniform Customs and Practice for Documentary Credits (UCP500), which specifically includes reference to these tools or under the International Stand-by Practices (ISP98), which came into force in 1999. ISP98 were developed for specific application to stand-by letters of credit because UCP500 contained several articles applicable to the general commercial letter of credit which should, strictly speaking, be excluded each time UCP500 is expressed to apply to a stand-by letter of credit. ISP98 were drafted under the auspices of the Institute of International Banking Law & Practice Inc. and were approved by the ICC and published by them as publication No. 590. They were designed to be compatible with the United Nations Convention on Independent Guarantees and Stand-by Letters of Credit.

This UN Convention came into force in January 2000. Although endorsed by the ICC, only about half a dozen countries have adopted it so far; the USA has signed it but not ratified it yet. The Convention is intended to provide a harmonised set of rules for the two types of instrument referred to in its title and to provide greater legal certainty in their use for day-to-day commercial transactions. In addition to being consistent with UCP and URDG and working in tandem with them, the Convention supplements their operation by dealing with issues beyond the scope of those rules, in particular regarding the question of fraudulent or abusive demands for payment and judicial remedies in such instances. There is also a difference in emphasis; only a Government can adopt the UN Convention for its country. The ICC Rules will apply only if expressly stated in the guarantee or stand-by letter of credit, whereas the UN Convention automatically applies to such documents issued from a country which has adopted the Convention unless expressly excluded from the document.

Section 4 - Results of the Survey

Background

The use of demand guarantees is not an issue in which SITPRO has previously been involved. However, following a suggestion from one of SITPRO's Directors initial research was carried out into demand guarantees, the problems encountered by those who have to provide them in the course of their business and also the use of the ICC's Uniform Rules for Demand Guarantees (URDG) – ICC Publication No. 458.

This initial research was carried out during 2002 – finding out basic information about demand guarantees, and the ICC's URDG as well as speaking with bankers and traders about their use of demand guarantees. Following this research SITPRO undertook to carry out a survey into the use of demand guarantees.

Survey

Two surveys were produced – one for exporters and one for bankers. These can be seen at Appendix 1a and 1b. These were distributed in February 2003 and resulted in a good response. However, it is important to note that although we believe that the results from the survey are meaningful, the survey is only intended to be indicative of the position in the UK regarding the use of demand guarantees due to the small sample of the survey.

SITPRO would like to thank all of those exporters and banks that participated in the survey. For reasons of confidentiality they cannot be listed here, but their assistance is greatly appreciated.

Further information about SITPRO can be found at Appendix 2.

Exporters' Survey

The respondents represented a wide range of companies differing in size, turnover and sector. Exports made up more than 50% of the total business by value for the majority of respondents

For almost half of the respondents only 1-10% of their customers outside the UK had asked for demand guarantees, despite their having indicated strong trading links with countries with which demand guarantees are usually associated.

None of the respondents reported having to turn away business due to the requirement to provide a demand guarantee.

Virtually all the respondents had tried to reduce the risk associated with demand guarantees by negotiating changes to the wording of the guarantees. When doing this the majority were helped by their bank.

In general very few companies had been asked for conditional guarantees (where the guarantee is payable with conditions attached, not on demand), although interestingly some of the smaller companies had been asked to provide this type of guarantees.

Respondents reported that the countries that have asked for the highest value demand guarantees are in the Middle East and the Far East, with a sprinkling in Europe and South America.

Difficulties were reported in arranging for the issue of demand guarantees, with the main problems being wording issues and organising the finance/cash cover for the guarantee. One exporter raised the problem of diminishing capacity – where banks

who provide guarantees have limited or reduced capacity to provide guarantees for certain markets.

Virtually all the respondents were aware of the possibility of using a standby letter of credit instead of a demand guarantee and most saw the benefits. The benefits most commonly mentioned were the fixed expiry date if the credit was governed by either UCP500 or ISP98 and the use of these rules giving 'more certainty'.

The vast majority of respondents had heard of the ICC's URDG, ISP98 and UCP500, although fewer had heard of the UN Convention on Independent Guarantees and Stand-by Letters of Credit. Just over half had been encouraged by their bank to use the ICC rules – of these the majority had been encouraged to use UCP500.

Occasional use of URDG for demand guarantees and ISP98 for stand-by letters of credit was reported with higher use of UCP500 for standby letters of credit.

One third of respondents reported extending a guarantee when requested to extend or pay, although some cases were reported as being resolved by negotiation.

Just over half of respondents reported receiving demands to pay guarantees and most were notified in advance by the bank. Of those that had received demands just over half believed they were 'unfair'. Many respondents reported trying to negotiate to try to have the demand withdrawn.

Two thirds of respondents had taken out insurance to cover 'unfair' payment demands – of these one third had made a claim. However, it was interesting to note that some experienced exporters had not heard of this type of insurance.

Nearly half of respondents have been asked to supply demand guarantees to UK customers, mainly to non-government organisations.

Banks' Survey

Most of the respondents reported using URDG for less than 10% of both the guarantees and counter-guarantees they issued – however, one bank did report that more than 85% of their guarantees are subject to URDG.

Fewer than half the banks reported encouraging their customers to use URDG – of those that did, the encouragement was through their literature or application forms. Of those that did not encourage its use it was felt that the URDG did not reflect UK or international banking practice and there was also an issue that some countries would not accept guarantees subject to URDG.

Where the information was available it was reported that less than half of demand instruments issued were in the form of stand-by letters of credit. Of the stand-by letters of credit issued, most were subject to UCP500 – with generally less than 10% being subject to ISP98.

All respondents believed that there were benefits in using stand-by letters of credit, due to the certainty of expiry and the use of a definite clear set of rules – if the credit is subject to either UCP500 or ISP98.

Where figures were available all banks reported receiving extend or pay demands. Some banks emphasised that the pay part of these type of demands had to comply with the terms of the demand guarantee.

Virtually all respondents notified their customer when a demand was received prior to paying out. However, it was emphasised by most banks that this was done as a matter of courtesy and was for information only.

Where records were maintained most banks reported that some payment demands were withdrawn before payment was made.

Where records were available more than half had received demands for payment after the expiry date of the guarantee – although most banks rejected these demands as being out of time.

All respondents had provided demand guarantees to UK organisations – the majority of which were to non-governmental organisations.

No banks reported cases of their customers losing business due to the need to provide demand guarantees.

About half of the respondents had heard of the UN Convention on Independent Guarantees and Stand-by Letters of Credit – of these half had favourable views of the Convention.

Banks reported that the lack of expiry dates could cause a problem. One bank stated that they were not keen to issue demand guarantees for certain Middle Eastern countries due to having experienced difficulties in the past.

Section 5 - Conclusions

The results of the survey show an interesting picture of the use of demand guarantees in the UK. Although certain problems were reported, it appears that experienced exporters have ways of avoiding these problems (for example negotiating the wording of a demand guarantee or consulting with the importer where a guarantee is called in) where possible. Where it is not possible to overcome the problems most respondents took a pragmatic approach and there were no reports of exporters turning away business because of the need to supply a demand guarantee. It was good to see that most exporters had a good relationship with their bank who helped them to negotiate suitable wording for the demand guarantee.

It was noticeable that the majority of demand guarantees are not issued under URDG. Although some banks do promote the use of the rules this is merely through mention of the rules in their literature or application forms – not through pro-active encouragement of their use. However, the majority of banks do not encourage the use of the URDG. Several reasons were given, one given by one bank was that it was not felt that they reflect current UK or international banking practice. Another reason was that certain countries or certain overseas customers would not accept these Rules. The impression gained was that this had become an assumption and that no active effort was being made to try to encourage wider use. The ICC is attempting to re-launch wider acceptance of URDG; it appears that they will need to overcome these difficulties if they are to be successful. As a first step banks could set a good example in its use by incorporating URDG in their counter-guarantees to other banks. **(Recommendation 4)**

It was pleasing to see that stand by letters of credit are sometimes used in place of demand guarantees. Nearly all respondents understood the importance of ensuring that these were issued under UCP500 or ISP98. However it is worth noting that ISP98 was produced specifically to be used with standby letters of credit. There are provisions within the rules for the acceptance of out of date transport documents (which are generally going to be presented under a stand by letter of credit), which could cause a problem under UCP500. There is a need therefore to encourage the use of ISP98 for stand by letters of credit, whilst understanding that there may be certain sectors who prefer to continue to use UCP500 (possibly with exclusions). **(Recommendation 1)**

It is a matter of concern that not all banks require the ‘pay’ part of an ‘extend or pay’ demand by a beneficiary to comply strictly with the terms of the guarantee. Banks may need to be more willing to take a firmer line with beneficiaries and overseas banks to whom they have provided counter-guarantees in this respect. **(Recommendation 5)**

Both exporters and banks reported the problem of demand guarantees without an expiry date – especially a problem with certain Middle Eastern countries. This issue can certainly be addressed by the use of URDG – however certain countries just will not accept demand guarantees subject to these rules. In certain countries it has occasionally been possible to overcome resistance to expiry dates in demand guarantees by using a stand-by letter of credit whether governed by UCP500 or ISP98. Exporters may wish to consider exploring this possibility. **(Recommendation 2)**

An issue that is of concern to a number of exporters is that their cash is tied up until the guarantee expires. If there is no expiry for the guarantee this causes even more problems – with the guarantee often needing to be released or even physically returned before the cash flow is restored. Although this is a problem for all exporters it is a particular problem for smaller exporters who are more reliant on a smaller cash flow. There is no magic solution for this, but consideration could be given to negotiating with the customer to have a smaller value guarantee or even to dispense with the need for a guarantee altogether. **(Recommendation 3)**

Because the UN Convention on Independent Guarantees and Stand-by Letters of Credit came into effect comparatively recently, it is perhaps unsurprising that not many exporters were aware of it. However, one would expect more banks experienced in issuing guarantees to know about it particularly as some who do expressed approval of it. There is a need for more information to be made generally available about this Convention so that interested parties can consider it in detail. The Department of Trade & Industry should be encouraged to issue the necessary consultation document on the Convention. **(Recommendation 6)**

It was a pleasant surprise to see that two thirds of respondents took out insurance to cover against unfair calling. However it was noticeable that some experienced exporters were not aware of this type of insurance and there is a need to promote its availability. **(Recommendation 7)**

SITPRO's next steps will be to issue a briefing about demand guarantees. **(Recommendation 8)** This will be aimed at all exporters who need to use these guarantees, but especially at those who are less experienced in the use of demand guarantees. The briefing will cover the basics of what a demand guarantee is, but will also examine the topics that have been raised in this survey. It will point out the areas that often cause problems and possible ways of avoiding them.

This report will also be presented to the ICC who may see educational or promotional opportunities for the rules mentioned throughout the report (URDG, UCP500 and ISP98). The report will also be specifically presented to the new ICC Task Force on Guarantees.

There may also be an interest on the part of the ICC to understand how their rules are used and why some are more frequently used than others.

APPENDIX 1a – SURVEY - EXPORTERS

SITPRO Demand Guarantees Survey (Exporters) Feb 2003

Company:.....

Department:.....

Contact Name:.....

Position:.....

Telephone Number:..... Fax Number:.....

E-Mail Address:

Date:.....

Please note that your reply need only be in respect of the part of the company for which you have responsibility/involvement for guarantees. If you need more space to answer any of the questions please continue on a separate piece of paper and attach to the questionnaire.

1. Exports

a) What percentage of your total business has been with customers outside the UK (by value) during the past three years?							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+
b) Please rank these regions in order of value of your exports (with 1 being the highest).							
EU	Rest of Europe	US/Canada/Australia/ New Zealand	South America				
Middle East and North Africa	Far East	Southern, Eastern and West Africa	Other (please specify)				

2. Guarantees

a) What percentage of your customers outside the UK have asked you for on-demand bank guarantees during the past three years?							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+
b) Have you had to turn away business because of the need to provide on-demand bank guarantees?						Yes	No
c) Please say how many times this has occurred during the past three years.							
d) Do you, where possible, try to reduce the risk associated with on-demand bank guarantees by negotiating changes to the wording?						Yes	No
e) If yes, does the bank provide you with assistance?						Yes	No
f) What percentage of your customers outside the UK have asked you for conditional guarantees during the past three years?							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+

g) Please list those countries which have asked for your three highest value on-demand guarantees in the past three years.

.....

h) Have you had any difficulty in arranging for the issue of an on-demand bank guarantee (e.g. for financial reasons, disagreement about wording, delays etc.) in

the past three years? Please say how many times this has occurred and indicate the reason in each case.

.....

3. Standby Letter of Credit

a) Are you aware of the possibility of using a standby letter of credit in place of an on-demand guarantee?	Yes	No
b) If yes, do you believe that there are any benefits in using a standby letter of credit in this way?	Yes	No
c) How many times have you used a stand-by letter of credit during the past three years?		

d) Please state the benefits you believe there are in using a stand-by letter of credit.

.....

4. Rules

a) Are you aware of the following rules which relate to on-demand guarantees and standby letters of credit?						
ICC Uniform Rules for Demand Guarantees (URDG)	Yes	No				
ICC International Standby Practices (ISP98)	Yes	No				
ICC Uniform Customs and Practice (UCP500)	Yes	No				
UN Convention on Independent Guarantees and Standby L/C	Yes	No				
b) Has your bank encouraged you to use any of these rules?						
Yes No						
c) If yes which rules?						
d) What percentage of your on-demand guarantees and stand-by letters of credit were issued subject to the following rules during the past three years?						
URDG	0-69%	1-10% 70-84%	11-24% 85%+	25-39%	40-54%	55-69%
ISP98	0-69%	1-10% 70-84%	11-24% 85%+	25-39%	40-54%	55-69%
UCP500	0-69%	1-10% 70-84%	11-24% 85%+	25-39%	40-54%	55-69%

5. Extend or Pay Demands

a) How many 'extend or pay' demands have you received during the past three years?	
--	--

b) Please describe briefly what happened in each case (up to five cases).

.....

.....

6. Payment Demands

a) How many demands for payment out of guarantees (excluding extend or pay demands) have you received during the past three years?	
b) In how many of these cases did your bank notify you in advance of paying out, during the past three years?	
c) Did you believe that any of the demands which you received for payment out of guarantees were 'unfair'?	Yes No
d) Have you taken out insurance during the past three years to cover 'unfair' payment demands from guarantees?	Yes No
e) If yes, have you made a claim under this insurance?	Yes No

f) Do you have any comments to make about this form of insurance?

.....

g) If you were able to take steps to delay or avoid pay out of guarantees, please describe in each case what you did and what was the end result.

.....

7. UK Guarantees

a) Have you been asked to provide on-demand bank guarantees to UK customers during the past three years?	Yes No
b) If yes, please indicate how many, subdivided between UK Governmental customers and others.	UK Governmental
	Others

8. General

We shall be pleased if you would tell us below of any special experiences, good or bad, which you have had in connection with on-demand bank guarantees.

.....

**Please return to Michelle Walden, SITPRO, 8th Floor, Oxford House,
 76 Oxford Street, London W1D 1BS Fax 020 7467 7295.**

**THANK YOU FOR TAKING THE TIME TO COMPLETE
 THIS QUESTIONNAIRE**

APPENDIX 1B – SURVEY - BANKERS

SITPRO Demand Guarantees Survey (Bankers) – Feb 2003

Bank

.....

Contact.....

Position.....

Telephone No. **Fax No.**

E-mail address

Date

If you need more space to answer any of the questions please continue on a separate piece of paper and attach to the questionnaire.

1. Uniform Rules for Demand Guarantees (URDG) – ICC 458

a) How frequently has your bank issued guarantees subject to URDG? Please indicate this as a percentage of all the guarantees issued by your bank during the past three years.							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+
b) How frequently has your bank given counter-guarantees to another bank (which actually issues the guarantee)? Please indicate this as a percentage of all guarantees and counter-guarantees given by your bank during the past three years.							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+
c) How frequently has your bank given counter-guarantees subject to URDG? Please indicate this as a percentage of all the counter-guarantees given by your bank during the past three years.							
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+
d) Does your bank encourage the use of URDG in guarantees?						Yes	No
e) Does your bank encourage the use of URDG in counter-guarantees?						Yes	No

f) In your experience, which countries have beneficiaries that accept guarantees subject to URDG? Please list.

.....

g) If your bank does encourage the use of URDG how does it do so? If not please state why not.

.....

2. Stand-by Letters of Credit

a) How frequently has your bank issued stand-by letters of credit (in lieu of a demand guarantee)? Please indicate this as a percentage of all the on-demand instruments (guarantees, counter-guarantees, stand-by letters of credit) issued by your bank during the past three years.								
0	1-10%	11-24%	25-39%	40-54%	55-69%	70-84%	85%+	
b) Please indicate the percentage of stand-by letters of credit issued by your bank during the past three years which have been made subject to the following rules:								
ISP98	0 84%	1-10% 85%+	11-24%	25-39%	40-54%	55-69%	70-	
UCP500	0 84%	1-10% 85%+	11-24%	25-39%	40-54%	55-69%	70-	
Other (please specify)	0 84%	1-10% 85%+	11-24%	25-39%	40-54%	55-69%	70-	
None	0 84%	1-10% 85%+	11-24%	25-39%	40-54%	55-69%	70-	
c) If a choice can be made, do you believe that there are any benefits in using a stand-by letter of credit in place of an on-demand guarantee?							Yes	No

d) Please give the reason for your answer to question c) and, if yes, say who may benefit.

.....

3. Extend or Pay Demands

a) Please state how many 'extend or pay' demands your bank has received during the past three years.	
b) Does your bank require such demands to be made using a particular form of words?	Yes No
c) How many of such demands led to payment during the past three years?	

d) If applicable please give further details of the form of words required by your bank for an 'extend or pay' demand.

.....

4. Payment Demands

a) Please state how many demands for payment out of guarantees were received by your bank (excluding 'extend or pay' demands) during the past three years.	
b) In how many of these cases did your bank feel able to notify your customer (the party liable) in advance of paying out, during the past three years?	

c) Were any of the payment demands withdrawn before payment out – please give numbers – during the past three years?	
--	--

d) Has your bank received any demands for payment out of a guarantee after its expiry date? If so, please indicate how many during the past three years and state in each case whether your bank paid out or took other steps (please specify).

.....

5. UK Guarantees

a) Has your bank been asked to provide on-demand guarantees to UK organisations during the past three years?	Yes	No
b) If yes, please indicate how many, sub-divided between UK Governmental beneficiaries and others.	UK Governmental	
	Others	

6. Business Lost

Do you know of cases where a customer of your bank was unable to accept business because of the need to provide an on-demand guarantee? Please indicate how many during the previous three years and outline the reason for each.

.....

7. UN Convention

a) Do you have a view on the UN Convention on Independent Guarantees and Stand-by Letters of Credit?	Yes	No
b) If yes, what is your view?	Favourable	
	Unfavourable	

8. General

We shall be pleased if you would tell us below of any special experiences, good or bad, which you have had in connection with guarantees or counter-guarantees.

.....

Please return to Michelle Walden, SITPRO, 8th Floor, Oxford House, 76 Oxford Street, London W1D 1BS Fax 020 7467 7295.

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE

APPENDIX 2 – SITPRO

SITPRO Limited, formerly The Simpler Trade Procedures Board, was set up in 1970 as the UK's trade facilitation agency. Reconstituted as a company limited by guarantee in April 2001, SITPRO is one of the Non-Departmental Public Bodies for which the Department of Trade and Industry has responsibility. It receives a grant-in-aid from the Department. SITPRO is dedicated to encouraging and helping business trade more effectively and to simplify the international trading process. Its focus is the procedures and documentation associated with international trade.

SITPRO's mission is to use its unique status to improve the competitive position of UK traders by facilitating change through:

- identification and removal of barriers in the international trading process;
- identification and promotion of best trading practices;
- delivery of practical, value for money electronic commerce and associated trading solutions; and
- influencing future trade policies.

SITPRO's work is guided by its Board and its Policy Groups. At any time there are about 100 executives and specialists taking part in this work. Our ability to obtain this voluntary support and guidance is essential for both our research and development and promotional roles.

SITPRO offers a wide range of services, including advice, briefings, publications and checklists covering various international trading practices. It manages the UK aligned system of export documents and licenses the printers and software suppliers who sell the forms and export document software.

For further information on SITPRO and our work please see our website at www.sitpro.org.uk or contact us at

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