

October 11, 2006
Ashwina 19, 1928

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir

Guarantees and Co-acceptances

Please refer to paragraph 2.5(iii) of our Master Circular DBOD.No.Dir.17/13.03.00/2006 dated July 1, 2006 on the above subject, in terms of which banks were advised that it is binding on the part of the beneficiary of the guarantee to seek confirmation of the controlling office/head office as well, for which a specific stipulation be incorporated in the guarantee itself.

2. It has been brought to our notice that the beneficiaries of guarantees issued by banks are reluctant to accept the guarantees issued with the above stipulation, resulting in loss of business to banks. It has also been suggested that the clause may be deleted.

3. The suggestion has been examined and accepted. Accordingly, it has been decided to delete item (iii) of paragraph 2.5 of the Master Circular, with immediate effect. However, banks may, while forwarding guarantees caution the beneficiaries that they should, in their own interest, verify the genuineness of the guarantee with the issuing bank.

Yours faithfully

(P.Vijaya Bhaskar)
Chief General Manager