भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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RBI/2023-24/04
DOR.STR.REC.5/13.07.010/2023-24

April 1, 2023

All Scheduled Commercial Banks
(excluding Payments Banks and RRBs)

Dear Sir / Madam

Master Circular - Guarantees and Co-acceptances

Please refer to the Master Circular DOR.STR.REC.8/13.07.010/2022-23 dated April 1, 2022 consolidating the instructions / guidelines issued to banks till March 31, 2022, relating to Guarantees and Co-acceptances. This Master Circular consolidates the instructions on the above matter issued up to March 31, 2023.

Yours faithfully

Manoranjan Mishra
Chief General Manager

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Master Circular - Guarantees and Co-acceptances

A. Purpose

This Master Circular consolidates the instructions issued by the Reserve Bank of India relating to the conduct of guarantee business by banks.

B. Classification

A statutory directive issued by the Reserve Bank in exercise of the powers conferred by the Banking Regulation Act, 1949.

C. Previous instructions

This Master Circular consolidates and updates the previous instructions on the above subject as contained in the circulars listed in Annex 2.

D. Application

To all Scheduled Commercial Banks, excluding Payments Banks and Regional Rural Banks.

1 INTRODUCTION

An important criterion for judging the soundness of a banking institution is the size and character, not only of its assets portfolio but also, of its contingent liability commitments such as guarantees, letters of credit, etc. As a part of business, banks issue guarantees on behalf of their customers for various purposes. The guarantees executed by banks comprise both performance guarantees and financial guarantees. The guarantees are structured according to the terms of agreement, viz., security, maturity and purpose. Banks should comply with the following guidelines in the conduct of their guarantee business.

2 GUIDELINES

2.1 General Guidelines

2.1.1 As regards the purpose of the guarantee, as a general rule, the banks should confine themselves to the provision of financial guarantees and exercise due caution with regard to performance guarantee business.

2.1.2 As regards maturity, as a rule, banks should guarantee shorter maturities and leave longer maturities to be guaranteed by other institutions.

2.1.3 No bank guarantee should normally have a maturity of more than 10 years. However, where banks extend long term loans for periods longer than 10 years for various projects, it has been decided to allow banks to also issue guarantees for periods beyond 10 years. While issuing such guarantees, banks are advised to take into account the impact of very long duration guarantees on their Asset Liability Management. Further, banks may evolve a policy on issuance of guarantees beyond 10 years as considered appropriate with the approval of their Board of Directors.

2.1.4 Banks should, in general, refrain from issuing non-fund based facilities to/on behalf of constituents who do not enjoy credit facilities with them. However, banks are permitted to grant non-fund based facilities, including partial credit enhancement[1], to those customers, who do not avail any fund based facility from any bank in India. Provision of such facilities shall be in terms of a comprehensive Board approved policy for grant of non-fund based facility to such borrowers. The banks shall ensure that the borrower has not availed any fund based facility from any bank operating in India. However, at the time of granting non-fund based facilities, banks shall obtain declaration from the customer about the non- fund based credit facilities already enjoyed by them from other banks. Banks shall undertake the same level of credit appraisal as has been laid down for fund based facilities. The instructions related to KYC / AML / CFT, submission of credit information to Credit Information Companies and other prudential norms applicable to banks, including exposure norms, issued by RBI from time to time, shall be adhered to in respect of all such facility. However, banks are prohibited from negotiating unrestricted LCs of non-constituents. In cases where negotiation of bills drawn under LC is restricted to a particular bank and the beneficiary of the LC is not a constituent of that bank, the bank shall have the option to negotiate such LCs,

[1] As stipulated in paragraph 2.4.3.1.(vi) below

subject to the condition that the proceeds are remitted to the regular banker of the beneficiary.

2.1.5 Further, BG /LC may be issued by scheduled commercial banks to clients of co-operative banks against counter guarantee of the co-operative bank as permitted hitherto. In such cases, banks shall be guided by the provisions of paragraph 2.3.8.2 of the Master Circular on Loans and Advances-Statutory and Other Restrictions dated July 1, 2015 as amended from time to time. Further, in such cases banks must satisfy themselves that the concerned co-operative banks have sound credit appraisal and monitoring systems as well as robust Know Your Customer (KYC) regime. Before issuing BG/LCs to specific constituents of co-operative banks, they must satisfy themselves that KYC check has been done properly in these cases.

2.1.6 The guarantee of parent companies may be obtained in the case of subsidiaries whose own financial condition is not considered satisfactory.

2.2 Guidelines relating to conduct of guarantee business

2.2.1 Norms for unsecured advances & guarantees

2.2.1.1 Until June 17, 2004, banks were required to limit their commitments by way of unsecured guarantees in such a manner that 20 percent of a bank’s outstanding unsecured guarantees plus the total of its outstanding unsecured advances should not exceed 15 percent of its total outstanding advances. In order to provide further flexibility to banks on their loan policies, the above limit on unsecured exposure of banks was withdrawn and banks’ Boards have been given the freedom to fix their own policies on their unsecured exposures. "Unsecured exposure" is defined as an exposure where the realisable value of the security, as assessed by the bank/ approved valuers / Reserve Bank’s inspecting officers, is not more than 10 per cent, ab-initio, of the outstanding exposure. Exposure shall include all funded and non-funded exposures (including underwriting and similar commitments). ‘Security’ will mean tangible security properly charged to the bank and will not include intangible securities like guarantees (including State government guarantees), letter of comfort, etc.

2.2.1.2 For determining the amount of unsecured advances for reflecting in schedule 9 of the published balance sheet, the rights, licenses, authorisations, etc., charged to the banks as collateral in respect of projects (including infrastructure projects) financed by them, should not be reckoned as tangible security. Banks, may however, treat annuities under build-operate –transfer (BOT) model in respect of road/highway projects and toll collection rights where there are provisions to compensate the project sponsor if a certain level of traffic is not achieved, as tangible securities, subject to the condition that banks’ right to receive annuities and toll collection rights is legally enforceable and irrevocable.

2.2.1.3 All exemptions allowed for computation of unsecured advances stand withdrawn.

2.2.2 <u>Precautions for issuing guarantees</u>

Banks should adopt the following precautions while issuing guarantees on behalf of their customers.

(i) As a rule, banks should avoid giving unsecured guarantees in large amounts and for medium and long-term periods. They should avoid undue concentration of such unsecured guarantee commitments to particular groups of customers and/or trades.

(ii) Unsecured guarantees on account of any individual constituent should be limited to a reasonable proportion of the bank's total unsecured guarantees. Guarantees on behalf of an individual should also bear a reasonable proportion to the constituent's equity.

(iii) In exceptional cases, banks may give deferred payment guarantees on an unsecured basis for modest amounts to first class customers who have entered into deferred payment arrangements in consonance with Government policy.

(iv) Guarantees executed on behalf of any individual constituent, or a group of constituents, should be subject to the prescribed exposure norms.

(v) It is essential to realise that guarantees contain inherent risks and that it would not be in the bank's interest or in the public interest, generally, to encourage parties to over-extend their commitments and embark upon enterprises solely relying on the easy availability of guarantee facilities.

2.2.3 <u>Precautions for averting frauds</u>

While issuing guarantees on behalf of customers, the following safeguards should be observed by banks:

(i) At the time of issuing financial guarantees, banks should be satisfied that the customer would be in a position to reimburse the bank in case the bank is required to make payment under the guarantee.

(ii) In the case of performance guarantee, banks should exercise due caution and have sufficient experience with the customer to satisfy themselves that the customer has the necessary experience, capacity and means to perform the obligations under the contract, and is not likely to commit any default.

2.2.4 <u>Ghosh Committee Recommendations</u>

Banks should implement the following recommendations made by the High Level Committee constituted in October 1991 (Chaired by Shri A. Ghosh, the then Dy. Governor of RBI):

(i) In order to prevent unaccounted issue of guarantees, as well as fake guarantees, as suggested by IBA, bank guarantees should be issued in serially numbered security forms.

(ii) Banks should, while forwarding guarantees, caution the beneficiaries that they should, in their own interest, verify the genuineness of the guarantee with the issuing bank.

2.2.5 Internal control systems

Bank guarantees issued for Rs.50,000/- and above should be signed by two officials jointly. A lower cut-off point, depending upon the size and category of branches, may be prescribed by banks, where considered necessary. Such a system will reduce the scope for malpractices/ losses arising from the wrong perception/ judgement or lack of honesty/ integrity on the part of a single signatory. Banks should evolve suitable systems and procedures, keeping in view the spirit of these instructions and allow deviation from the two signatures discipline only in exceptional circumstances. The responsibility for ensuring the adequacy and effectiveness of the systems and procedures for preventing perpetration of frauds and malpractices by their officials would, in such cases, rest on the top managements of the banks. In case, exceptions are made for affixing of only one signature on the instruments, banks should devise a system for subjecting such instruments to special scrutiny by the auditors or inspectors at the time of internal inspection of branches.

2.2.6 Guarantees on behalf of Banks' Directors

2.2.6.1 Section 20 of the Banking Regulation Act, 1949 prohibits banks from granting loans or advances to any of their directors or any firm or company in which any of their directors is a partner or guarantor. However, certain facilities which, inter alia, include issue of guarantees, are not regarded as 'loan and advances' within the meaning of Section 20 of the Act, ibid. In this regard, it is pertinent to note with particular reference to banks giving guarantees on behalf of their directors, that in the event of the principal debtor committing default in discharging his liability and the bank being called upon to honour its obligation under the guarantee, the relationship between the bank and the director could become one of creditor and debtor. Further, directors would also be able to evade the provisions of Section 20 by borrowing from a third party against the guarantee given by the bank. These types of transactions are likely to defeat the very purpose of Section 20 of the Act, if banks do not take appropriate steps to ensure that the liabilities there under do not devolve on them.

2.2.6.2 In view of the above, banks should, while extending non-fund based facilities such as guarantees, etc. on behalf of their directors and the companies/firms in which the director is interested, ensure that:

(i) adequate and effective arrangements have been made to the satisfaction of the bank that the commitments would be met out of their own resources by the party on whose behalf guarantee was issued and

(ii) the bank will not be called upon to grant any loan or advance to meet the liability, consequent upon the invocation of the guarantee.

In case, such contingencies arise as at (ii) above, the bank will be deemed to be a party to the violation of the provisions of Section 20 of the Banking Regulation Act, 1949.

2.2.7 Bank Guarantee Scheme of Government of India[2]

2.2.7.1 The Bank Guarantee Scheme formulated by the Government of India for the issuance of bank guarantees in favour of Central Government Departments, in lieu of security deposits, etc. by contractors, has been modified from time to time. Under the scheme, it is open to Government Departments to accept freely guarantees, etc. from all scheduled commercial banks.

2.2.7.2 Banks should adopt the Model Form of Bank Guarantee Bond given in Annex 1. The Government of India have advised all the Government departments/ Public Sector Undertakings, etc. to accept bank guarantees in the Model Bond and to ensure that alterations/additions to the clauses whenever considered necessary are not one-sided and are made in agreement with the guaranteeing bank. Banks should mention in the guarantee bonds and their correspondence with the various State Governments, the names of the beneficiary departments and the purposes for which the guarantees are executed. This is necessary to facilitate prompt identification of the guarantees with the concerned departments. In regard to the guarantees furnished by the banks in favour of Government Departments in the name of the President of India, any correspondence thereon should be exchanged with the concerned ministries/ departments and not with the President of India.

2.2.8 Guarantees on behalf of Share and Stock Brokers/ Commodity Brokers

Banks may issue guarantees on behalf of share and stock brokers in favour of stock exchanges in lieu of security deposit to the extent it is acceptable in the form of bank guarantee as laid down by stock exchanges. Banks may also issue guarantees in lieu of margin requirements as per stock exchange regulations. Banks have been advised that they should obtain a minimum margin of 50 percent while issuing such guarantees. A minimum cash margin of 25 per cent (within the above margin of 50 per cent) should be maintained in respect of such guarantees issued by banks. The above minimum margin of 50 percent and minimum cash margin requirement of 25 percent (within the margin of 50 percent) will also apply to guarantees issued by banks on behalf of commodity brokers in favour of the commodity exchanges, registered with Securities and Exchange Board of India (SEBI), in lieu of margin requirements as per the commodity exchange regulations. Banks should assess the requirement of each applicant and observe usual and necessary safeguards including the exposure ceilings.

2.2.8.1 Irrevocable Payment Commitments – Financial Guarantees

Banks issuing Irrevocable Payment Commitment (IPCs) to various Stock Exchanges on behalf of Mutual Funds and FPIs are advised to adopt the following risk mitigation measures:

[2] The previous stipulations under paragraph 2.2.7.2 related to bank guarantees issued in favour of Directorate General of Supplies and Disposal (DGS&D) have been repealed as DGS&D has been wound up and ceased operations

(i) Only those custodian banks would be permitted to issue IPCs who have a clause in the Agreement with their clients which gives them an inalienable right over the securities to be received as payout in any settlement. However, in cases where transactions are pre-funded i.e. there are clear INR funds in the customer's account and, in case of FX deals, the bank's nostro account has been credited before the issuance of the IPC by custodian banks, the requirement of the clause of inalienable right over the security to be received as payout in the agreement with the clients will not be insisted upon.

(ii) As regards calculation of Capital Market Exposure (CME), the relevant instructions are contained in para 2.3.5 of our Master Circular on 'Exposure Norms' dated July 1, 2015 as amended from time to time.

2.2.9 Guidelines relating to obtaining of personal guarantees of promoters, directors, other managerial personnel, and shareholders of borrowing concerns

Banks should take personal guarantees of promoters, directors, other managerial personnel or major shareholders for the credit facilities granted to corporates, public or private, only when absolutely warranted after a careful examination of the circumstances of the case and not as a matter of course. In order to identify the circumstances under which the guarantee may or may not be considered necessary, banks should be guided by the following broad considerations:

A. Where guarantees need not be considered necessary

(i) Ordinarily, in the case of public limited companies, when the lending institutions are satisfied about the management, its stake in the concern, economic viability of the proposal and the financial position and capacity for cash generation, no personal guarantee need be insisted upon. In fact, in the case of widely owned public limited companies, which may be rated as first class and satisfying the above conditions, guarantees may not be necessary even if the advances are unsecured. Also, in the case of companies, whether private or public, which are under professional management, guarantees may not be insisted upon from persons who are connected with the management solely by virtue of their professional/technical qualifications and not consequent upon any significant shareholding in the company concerned.

(ii) Where the lending institutions are not so convinced about the aspects of loan proposals mentioned above, they should seek to stipulate conditions to make the proposals acceptable without such guarantees. In some cases, more stringent forms of financial discipline like restrictions on distribution of dividends, further expansion, aggregate borrowings, creation of further charge on assets and stipulation of maintenance of minimum net working capital may be necessary. Also, the parity between owned funds and capital investment and the overall debt-equity ratio may have to be taken into account.

B. Where guarantees may be considered helpful

(i) Personal guarantees may be helpful in respect of companies, whether private or public, where shares are held closely by a person or connected persons or a group (not being professionals or Government), irrespective of other factors, such as financial condition, security available, etc. The exception being in respect of companies where, by court or statutory order, the management of the company is vested in a person or persons, whether called directors or by any other name, who are not required to be elected by the shareholders. Where personal guarantee is considered necessary, the guarantee should preferably be that of the principal members of the group holding shares in the borrowing company rather than that of the director/managerial personnel functioning as director or in any managerial capacity.

(ii) Even if a company is not closely held, there may be justification for a personal guarantee of directors to ensure continuity of management. Thus, a lending institution could make a loan to a company whose management is considered good. Subsequently, a different group could acquire control of the company, which could lead the lending institution to have well-founded fears that the management has changed for the worse and that the funds lent to the company are in jeopardy. One way by which lending institutions could protect themselves in such circumstances is to obtain guarantees of the directors and thus ensure either the continuity of the management or that the changes in management take place with their knowledge. Even where personal guarantees are waived, it may be necessary to obtain an undertaking from the borrowing company that no change in the management would be made without the consent of the lending institution. Similarly, during the formative stages of a company, it may be in the interest of the company, as well as the lending institution, to obtain guarantees to ensure continuity of management.

(iii) Personal guarantees may be helpful with regard to public limited companies other than those which may be rated as first class, where the advance is on an unsecured basis.

(iv) There may be public limited companies, whose financial position and/or capacity for cash generation is not satisfactory even though the relevant advances are secured. In such cases, personal guarantees are useful.

(v) Cases where there is likely to be considerable delay in the creation of a charge on assets, guarantee may be taken, where deemed necessary, to cover the interim period between the disbursement of loan and the creation of the charge on assets.

(vi) Personal guarantees are relevant where the balance sheet or financial statement of a company discloses interlocking of funds between the company and other concerns owned or managed by a group.

C. <u>Worth of the guarantors, payment of guarantee commission, etc</u>

Where personal guarantees of directors are warranted, they should bear reasonable proportion to the estimated worth of the person. The system of obtaining guarantees should not be used by the directors and other managerial personnel as a source of income from the company. Banks should obtain an undertaking from the borrowing company as well as the guarantors that no consideration whether by way of commission, brokerage fees or any other form, would be paid by the former or received by the latter, directly or indirectly. This requirement should be incorporated in the bank's terms and conditions for sanctioning of credit limits. During the periodic inspections, the bank's inspectors should verify that this stipulation has been complied with. There may, however, be exceptional cases where payment of remuneration may be permitted e.g. where assisted concerns are not doing well and the existing guarantors are no longer connected with the management but continuance of their guarantees is considered essential because the new management's guarantee is either not available or is found inadequate.

D. <u>Personal guarantees in the case of stressed units</u>

As the personal guarantees of promoters/ directors generally instill greater accountability and responsibility on their part and prompt the managements to conduct the running of the assisted units on sound and healthy lines and to ensure financial discipline, banks, may in their discretion, at the time of renewal obtain guarantees from directors (excluding the nominee directors) and other managerial personnel in their individual capacities if the exposure exhibits signs of stress as per the assessment of the bank. In case, for any reasons, a guarantee is not considered expedient by the bank at the time of sanctioning the advance, an undertaking should be obtained from the individual directors and a covenant should invariably be incorporated in the loan agreement that in case the borrowing unit shows cash losses or adverse current ratio or diversion of fund, the directors would be under an obligation to execute guarantees in their individual capacities, if required by the bank. Banks may also obtain guarantees at their discretion from the parent/holding company when credit facilities are extended to borrowing units in the same Group.

2.2.10 <u>Guarantees of State Government</u>

The guidelines laid down in paragraph 2.2.9 above, for taking personal guarantees of directors and other managerial personnel, should also be followed in respect of proposal of State Government undertakings/projects and guarantees may not be insisted upon unless absolutely warranted. In other words, banks could obtain guarantees of State Governments on merits and only in circumstances absolutely necessary after thorough examination of the circumstances of each case, and not as matter of course.

2.3 <u>Other stipulations – Issuing bid bonds and performance guarantees for export</u>

With a view to boost exports, banks should adopt a flexible approach in the matter of obtaining cover and earmarking of assets/ credit limits, drawing power, while issuing bid bonds and performance guarantees for export purposes. Banks may, however, safeguard their interests by obtaining coverage from Export Credit Guarantee Corporation of India Ltd. (ECGC), wherever considered necessary. Banks may consider sanctioning separate limits for issue of bid bonds. Within the limits so sanctioned, bid bonds against individual contracts may be issued, subject to usual considerations.

2.3.1 Unconditional Guarantees in favour of Overseas Employers/Importers on behalf of Indian Exporters

2.3.1.1 While agreeing to give unconditional guarantee in favour of overseas employers/importers on behalf of Indian Exporters, banks should obtain an undertaking from the exporter to the effect that when the guarantee is invoked, the bank would be entitled to make payment, notwithstanding any dispute between the exporter and the importer. Although, such an undertaking may not prevent the exporter from approaching the Court for an injunction order, it might weigh with the Court in taking a view whether injunction order should be issued.

2.3.1.2 Banks should, while issuing guarantees, keep the above points in view and incorporate suitable clauses in the agreement, in consultation with their legal advisers. This is considered desirable as non-honouring of guarantees on invocation might prompt overseas banks not to accept guarantees of Indian banks, thus hampering the country's export promotion effort.

2.3.2 Certain precautions in case of Project Exports

2.3.2.1 As per the provisions of the revised Memorandum of Instructions on Project & Service Exports issued vide circular on Export of Goods and Services – Project Exports dated July 22, 2014, AD banks/Exim Bank have been authorized to consider according post-award approvals for high value overseas project exports. However, the responsibility of project appraisal and that of monitoring the project lies solely on the lending banks.

2.3.2.2 Banks should examine the project proposals thoroughly with regard to the capacity of the contractor/ sub-contractors, protective clauses in the contracts, adequacy of security, credit ratings of the overseas sub-contractors, if any, etc.

2.3.2.3 Therefore, the need for a careful assessment of financial and technical demands involved in the proposals vis-à-vis the capability of the contractors (including sub-contractors) as well as the overseas employers can hardly be under-rated to the financing of any domestic projects. In fact, the export projects should be given more attention, in view of their high values and the possibilities of foreign exchange losses in case of failure, apart from damage to the image of Indian entrepreneurs.

2.3.2.4 While bid bonds and performance guarantees cannot be avoided, it is to be considered whether guarantees should be given by the banks in all cases of overseas borrowings for financing overseas projects. Such guarantees should not be executed as a matter of course, merely because of the participation of Exim Bank and availability of counter-guarantee of ECGC. Appropriate arrangements should also be made for post-award follow-up and monitoring of the contracts.

2.3.3 Guarantees for Export Advance

2.3.3.1 Guarantees are permitted in respect of debt or other liability incurred by an exporter on account of exports from India. It is therefore intended to facilitate execution of export contracts by an exporter and not for other purposes. In terms of extant instructions banks have also been advised that guarantees contain inherent risks, and that it would not be in the banks' interest or in the public interest generally to encourage parties to over-extend their commitments and embark upon enterprises solely relying on the easy availability of guarantee facilities. Banks should, therefore, be careful while extending guarantees against export advances so as to ensure that no violation of FEMA regulations takes place and banks are not exposed to various risks the export advances received by the exporters are in compliance with the regulations/ directions issued under the Foreign Exchange Management Act, 1999. It will be important for the banks to carry out due diligence and verify the track record of such exporters to assess their ability to execute such export orders.

2.3.3.2 Further, banks should also ensure that the export advances received by the exporters are in compliance with the regulations/ directions issued under the Foreign Exchange Management Act, 1999.

2.3.3.3 It is reiterated that export performance guarantees, where permitted to be issued, shall strictly be in the nature of performance guarantee and shall not contain any clauses which may in effect allow such performance guarantees to be utilized as financial guarantees/Standby Letters of Credits.

2.3.3.4 Banks shall also ensure compliance with A.P. (DIR Series) Circular No. 20 dated March 13, 2018 regarding 'Discontinuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) for Trade Credits'.

2.3.4 Review of banks' procedures

Banks may periodically review the position regarding delegation of powers and their procedures, and take such action as may be necessary with a view to expediting decision on export proposals. They may also consider designating a specified branch, equipped with adequately qualified and trained staff, in each important centre to deal expeditiously with all export credit proposals at the centre.

2.3.5 Overseas Investment – Guarantee on behalf of a Foreign Entity or any of its Step Down Subsidiary

In order to enhance the scale and scope of business operations of Indian entrepreneurs by providing global opportunities for growth, Indian entities have been permitted, subject to certain limits, to inter alia make non-fund based financial commitments. For this purpose, banks can issue guarantees to or on behalf of a foreign entity, or any of its step down subsidiary in which an Indian entity has acquired control through the foreign entity, which is backed by a counter-guarantee or collateral by the Indian entity or its group company.

It is, however, clarified that such guarantees shall not be issued by banks, including overseas branches / subsidiaries of Indian banks, for the purpose of raising loans / advances of any kind by the foreign entity except in connection with the ordinary course of overseas business. Further while extending such guarantees, banks should ensure effective monitoring of the end use of such facilities and its conformity with the business needs of such entities.

2.4 Restrictions on guarantees for placement of funds with NBFCs or other non-bank entities

2.4.1 Banks should not execute guarantees for enabling placement of funds with NBFCs or other non-banking entities directly or indirectly, including inter-company deposits/ loans. This stipulation will apply to all sources of funds raised by such entities, e.g. deposits/ loans received from trusts and other institutions.

2.4.2 Transactions of the following types are in the nature of guarantees executed by banks in respect of funds made available by one non-banking entity to another non-banking entity and banks should therefore, desist from such practices:

(i) A seller drew bills, normally of 120 to 180 days usance, on the buyer which were accepted by the buyer and co-accepted by his banker. The bills were discounted by the seller with the accommodating company, which retained the bills till the due date. The bank which gave co-acceptance invariably earmarked funds for the liability under the bills against the drawing power in respect of stocks held in the cash credit account of its client, the buyer, or

(ii) The accommodating company kept deposits for a specific period with the bank's borrowers under a guarantee executed by the bank. In such a case also, the bank earmarked the amount against drawing power available in the cash credit account.

2.4.3.1 Banks may issue guarantees favouring other banks/ FIs/ other lending agencies for the loans extended by the latter, subject to strict compliance with the following conditions.

(i) The Board of Directors should reckon the integrity/ robustness of the bank’s risk management systems and, accordingly, put in place a well-laid out policy in this regard.

The Board approved policy should, among others, address the following issues:

- Prudential limits, linked to bank’s Tier I capital, up to which guarantees favouring other banks/FIs/other lending agencies may be issued
- Nature and extent of security and margins
- Delegation of powers
- Reporting system
- Periodical reviews

(ii) The guarantee shall be extended only in respect of borrower constituents and to enable them to avail of additional credit facility from other banks/FIs/lending agencies.

(iii) The guaranteeing bank should assume a funded exposure of at least 10% of the exposure guaranteed.

(iv) Banks should not extend guarantees or letters of comfort in favour of overseas lenders including those assignable to overseas lenders. However, AD banks may also be guided by the provisions contained in Notification No. FEMA 8/2000-RB dated May 3, 2000 and subsequent amendments thereof.

(v) The guarantee issued by the bank will be an exposure on the borrowing entity on whose behalf the guarantee has been issued and will attract appropriate risk weight, as per the extant guidelines.

(vi) Of late, certain banks have been issuing guarantees on behalf of corporate entities in respect of non-convertible debentures issued by such entities. It is clarified that the extant instructions apply only to loans and not to bonds or debt instruments. Guarantees by the banking system for a corporate bond or any debt instrument not only have significant systemic implications but also impede the development of a genuine corporate debt market. Banks are advised to strictly comply with the extant regulations and in particular, not to provide guarantees for issuance of bonds or debt instruments of any kind. However, banks are permitted to provide partial credit enhancement (PCE) to bonds issued by corporates /special purpose vehicles (SPVs), NBFC-ND-SIs and Housing Finance Companies (HFCs) subject to conditions stipulated in circular DBR.BP.BC.No.40/21.04.142/2015-16 dated September 24, 2015 on Partial Credit Enhancement to Corporate Bonds and other associated circulars issued subsequently on the subject. The PCE shall be provided only in the form of a non-funded irrevocable contingent line of credit.

2.4.3.2 Lending banks

Banks extending credit facilities against the guarantees issued by other banks/FIs should ensure strict compliance with the following conditions:

(i) The exposure assumed by the bank against the guarantee of another bank/FI will be deemed as an exposure on the guaranteeing bank/FI and will attract appropriate risk weight as per the extant guidelines.

(ii) Exposures assumed by way of credit facilities extended against the guarantees issued by other banks/FI should be reckoned within the inter bank exposure limits prescribed by the Board of Directors. Since the exposure assumed by the bank against the guarantee of another bank/FI will be for a fairly longer term than those assumed on account of inter-bank dealings in the money market, foreign exchange market and securities market, the Board of Directors should fix an appropriate sub-limit for the longer term exposures, since these exposures attract greater risk.

(iii) Banks should monitor the exposure assumed on the guaranteeing bank/ FI, on a continuous basis and ensure strict compliance with the prudential limits/ sub limits prescribed by their Boards and the prudential single borrower limits prescribed by RBI for banks/FIs.

2.4.4 Exceptions

2.4.4.1 In regard to resolution of stressed units, in exceptional cases, where banks are unable to participate in rehabilitation packages on account of temporary liquidity constraints, the concerned banks could provide guarantees in favour of the banks which take up their additional share. Such guarantees will remain extant until such time that the banks providing additional finance against guarantees are re-compensated.

2.4.4.2 In cases of Sellers Line of Credit Scheme (since renamed as Direct Discounting Scheme) operated by IDBI Bank Ltd.[3] and all India financial institutions like SIDBI, PFC, etc for sale of machinery, the primary credit is provided by the seller's bank to the seller through bills drawn on the buyer and the seller's bank has no access to the security covered by the transaction which remains with the buyer. As such, buyer's banks are permitted to extend guarantee/ co-acceptance facility for the bills drawn under seller's line of credit.

2.4.4.3 Similarly, guarantees can be issued in favour of HUDCO/ State Housing Boards and similar bodies/ organisations for the loans granted by them to private borrowers who are unable to offer clear and marketable title to property, provided banks are otherwise satisfied with the capacity of the borrowers to adequately service such loans.

2.4.4.4 Banks may issue guarantees in favour of various Development Agencies/Boards, like Indian Renewable Energy Development Agency, National Horticulture Board, etc. for obtaining soft loans and/or other forms of development assistance from such Agencies/Boards with the objective of improving efficiency, productivity, etc., subject to the following conditions:

(i) Banks should satisfy themselves, on the basis of credit appraisal, regarding the technical feasibility, financial viability and bankability of individual projects and/or loan proposals i.e. the standard of such appraisal should be the same, as is done in the case of a loan proposal seeking sanction of term finance/loan.
(ii) Banks should conform to the prudential exposure norms prescribed from time to time for an individual borrower/group of borrowers.
(iii) Banks should suitably secure themselves before extending such guarantees.

2.4.5 Infrastructure projects

Keeping in view the special features of lending to infrastructure projects viz., the high degree of appraisal skills on the part of lenders and availability of resources of a maturity matching with the project period, banks have been given discretion in the matter of issuance of guarantees favouring other lending agencies, in respect of infrastructure projects alone, subject to the following conditions:

(i) The bank issuing the guarantee takes a funded share in the project at least to the extent of 5 percent of the project cost and undertakes normal credit appraisal, monitoring and follow-up of the project.

[3] The scheme which was being operated by the erstwhile IDBI is being continued by IDBI Bank Ltd.

(ii) The guarantor bank has a satisfactory record in compliance with the prudential regulations, such as, capital adequacy, credit exposure, norms relating to income recognition, asset classification and provisioning, etc.

2.5 Payment of invoked guarantees

2.5.1 Where guarantees are invoked, payment should be made to the beneficiaries without delay and demur. An appropriate procedure for ensuring such immediate honouring of guarantees should be laid down so that there is no delay on the pretext that legal advice or approval of higher authorities is being obtained.

2.5.2 Delays on the part of banks in honouring the guarantees when invoked tend to erode the value of the bank guarantees, the sanctity of the scheme of guarantees and image of banks. It also provides an opportunity to the parties to take recourse to courts and obtain injunction orders. In the case of guarantees in favour of Government departments, this not only delays the revenue collection efforts but also gives an erroneous impression that banks are actively in collusion with the parties, which tarnishes the image of the banking system.

2.5.3 There should be an effective system to ensure that the persons on whose behalf the guarantees are issued will be in a position to perform their obligations in the case of performance guarantees and honour their commitments out of their own resources, as and when needed, in the case of financial guarantees.

2.5.4 The top management of the banks should bestow their personal attention to the need to put in place a proper mechanism for making payments in respect of invoked guarantees promptly, so that no room is given for such complaints. When complaints are made, particularly by the Government departments for not honouring the guarantees issued, the top management of the bank, including its Chief Executive Officer, should personally look into such complaints.

2.5.5 In this regard, the Delhi High Court has made adverse remarks against certain banks in not promptly honouring the commitment of guarantees when invoked. It has been observed that a bank guarantee is a contract between the beneficiary and the bank. When the beneficiary invokes the bank guarantee and a letter invoking the same is sent in terms of the bank guarantee, it is obligatory on the bank to make payment to the beneficiary.

2.5.6 The Supreme Court had observed [U.P. Co-operative Federation Private Ltd. versus Singh Consultants and Engineers Private Ltd. (1988 IC SSC 174)] that the commitments of the banks must be honoured, free from interference by the courts. The relevant extract from the judgement of the Supreme Court in a case is as under:

'We are, therefore, of the opinion that the correct position of law is that commitment of banks must be honoured free from interference by the courts and it is only in exceptional cases, that is, to say, in case of fraud or any case where irretrievable injustice would be done if bank guarantee is allowed to be encashed, the court should interfere'.

2.5.7 In order to avoid such situations, it is absolutely essential for banks to appraise the proposals for guarantees with the same diligence, as in the case of fund based limits, and obtain adequate cover by way of margin so as to prevent the constituents to develop a tendency of defaulting in payments when invoked guarantees are honoured by the banks.

2.5.8 (i) Banks are required to ensure that the guarantees issued by them are honoured without delay and hesitation when they are invoked in accordance with the terms and conditions of the guarantee deed, unless there is a Court order restraining the banks.

(ii) Any decision not to honour the obligation under the guarantee invoked may be taken after careful consideration, at a fairly senior level, and only in the circumstances where the bank is satisfied that any such payment to the beneficiary would not be deemed a rightful payment in accordance with the terms and conditions of the guarantee under the Indian Contract Act, 1872.

(iii) The Chief Executive Officers of banks should assume personal responsibility for such complaints received from Government departments. Sufficient powers should be delegated to the line functionaries so that delay on account of reference to higher authorities for payment under the guarantee does not occur.

(iv) For any non-payment of guarantee in time, staff accountability should be fixed and stern disciplinary action including award of major penalty such as dismissal, should be taken against the delinquent officials at all levels.

(v) Where banks have executed bank guarantees in favour of Customs and Central Excise authorities to cover differential duty amounts in connection with interim orders issued by High Courts, the guarantee amount should be released immediately when they are invoked on vacation of the stay orders by Courts. Banks should not hold back the amount on the pretext that it would affect their liquidity position.

2.5.9 There have also been complaints by Ministry of Finance that some of the departments such as Department of Revenue, Government of India are finding it difficult to execute judgements delivered by various Courts in their favour as banks do not honour their guarantees, unless certified copies of the Court judgements are made available to them. In this regard, the banks may follow the following procedure:

(i) Where the bank is a party to the proceedings initiated by Government for enforcement of the bank guarantee and the case is decided in favour of the Government by the Court, banks should not insist on production of certified copy of the judgement, as the judgement/ order is pronounced in open Court in presence of the parties/ their counsels and the judgement is known to the bank and a copy of the judgement is available on websites of the Courts.

(ii) In case the bank is not a party to the proceedings, a signed copy of the minutes of the order certified by the Registrar/ Deputy or Assistant Registrar of the High Court or the ordinary copy of the judgement/ order of the High Court, duly attested to be true copy by Government Counsel, should be sufficient for honouring the obligation under guarantee, unless the guarantor bank decides to file any appeal against the order of the High Court.

(iii) Banks should honour the guarantees issued by them as and when they are invoked in accordance with the terms and conditions of the guarantee deeds. In case of any disputes, such honouring can be done under protest, if necessary, and the matters of dispute pursued separately.

(iv) The Government, on their part, have advised the various Government departments, etc. that the invocation of guarantees should be done after careful consideration at a senior-level that a default has occurred in accordance with the terms and conditions of the guarantees and as provided in the guarantee deed.

(v) Non-compliance of the instructions in regard to honouring commitments under invoked guarantees will be viewed by Reserve Bank very seriously and Reserve Bank will be constrained to take deterrent action against the banks.

2.6 Co-acceptance of bills

2.6.1 General

Reserve Bank has observed that some banks co-accept bills of their customers and also discount bills co-accepted by other banks in a casual manner. These bills subsequently turn out to be accommodation bills drawn by groups of sister concerns on each other where no genuine trade transaction takes place. Banks, while discounting such bills, appear to ignore this important aspect presumably because of the co-acceptance given by other banks. The bills, on maturity, are not honoured by the drawees and the banks which co-accept the bills have to make payment of these bills, and they find it difficult to recover the amount from the drawers/ drawees of bills. Banks also discount bills for sizeable amounts, which are co-accepted by certain Urban Co-operative Banks. On maturity, the bills are not honoured and the co-operative banks, which co-accept the bills, also find it difficult to make the payment. The financial position and capacity of the co-accepting bank to honour the bills, in the event of need, is not being looked into. Cases have also been observed where the particulars regarding co-acceptance of bills are not recorded in the bank's books, with the result that the same cannot be verified during inspections, and the Head Office becomes aware of the co-acceptance only when a claim is received from the discounting bank.

2.6.2 Safeguards

In the light of the above, banks should keep in view the following safeguards:

(i) While sanctioning co-acceptance limits to their customers, the need therefore should be ascertained, and such limits should be extended only to those customers who enjoy other limits with the bank.

(ii) Only genuine trade bills should be co-accepted and the banks should ensure that the goods covered by bills co-accepted are actually received in the stock accounts of the borrowers.

(iii) The valuation of the goods as mentioned in the accompanying invoice should be verified to see that there is no over-valuation of stocks.

(iv) The banks should not extend their co-acceptance to house bills/ accommodation bills drawn by group concerns on one another.

(v) The banks discounting such bills, co-accepted by other banks, should also ensure that the bills are not accommodation bills and that the co-accepting bank has the capacity to redeem the obligation in case of need.

(vi) Bank-wise limits should be fixed, taking into consideration the size of each bank for discounting bills co-accepted by other banks, and the relative powers of the officials of the other banks should be got registered with the discounting banks.

(vii) Care should be taken to see that the co-acceptance liability of any bank is not disproportionate to its known resources position.

(viii) A system of obtaining periodical confirmation of the liability of co-accepting banks in regard to the outstanding bills should be introduced.

(ix) Proper records of the bills co-accepted for each customer should be maintained, so that the commitments for each customer and the total commitments at a branch can be readily ascertained, and these should be scrutinised by Internal Inspectors and commented upon in their reports.

(x) It is also desirable for the discounting bank to advise the Head Office/ Controlling Office of the bank, which has co-accepted the bills, whenever such transactions appear to be disproportionate or large.

(xi) Proper periodical returns may be prescribed so that the Branch Managers report such co-acceptance commitments entered into by them to the Controlling Offices.

(xii) Such returns should also reveal the position of bills that have become overdue, and which the bank had to meet under the co-acceptance obligation. This will enable the Controlling Offices to monitor such co-acceptances furnished by the branches and take suitable action in time, in difficult cases.

(xiii) Co-acceptances in respect of bills for Rs.10,000/- and above should be signed by two officials jointly, deviation being allowed only in exceptional cases, e.g. non-availability of two officials at a branch.

(xiv) Before discounting/ purchasing bills co-accepted by other banks for Rs.2 lakh and above from a single party, the bank should obtain written confirmation of the concerned Controlling (Regional/ Divisional/ Zonal) Office of the accepting bank and a record of the same should be kept.

(xv) When the value of the total bills discounted/ purchased (which have been co-accepted by other banks) exceeds Rs.20 lakh for a single borrower/ group of borrowers, prior approval of the Head Office of the co-accepting bank must be obtained by the discounting bank in writing.

2.6.2.1 In addition to the above safeguards to be observed by banks in co-accepting the bills, it must be noted that the banks are precluded from co-accepting bills drawn under

Buyers Line of Credit Schemes introduced by IDBI Bank Ltd. and all India financial institutions like SIDBI, Power Finance Corporation Ltd. (PFC), etc. Similarly, banks should not co-accept bills drawn by NBFCs. In addition, banks are advised not to extend co-acceptance on behalf of their buyers/constituents under the SIDBI Scheme.

2.6.2.2 However, banks may co-accept bills drawn under the Sellers Line of Credit Schemes (since renamed as Direct Discounting Scheme) operated by IDBI Bank Ltd.[4] and all India financial institutions for Bill Discounting operated by IDBI Bank Ltd.[5] and all India financial institutions like SIDBI, PFC, etc. without any limit, subject to the buyer's capability to pay, and compliance with the exposure norms prescribed by the bank for individual/ group borrowers.

2.6.2.3 There have been instances where branches of banks open L/Cs on behalf of their constituents and also co-accept the bills drawn under such L/Cs. Legally, if a bank co-accepts a bill drawn under its own L/C, the bill so co-accepted becomes an independent document. The special rules applicable to commercial credits do not apply to such a bill and the bill is exclusively governed by the law relating to Bills of Exchange, i.e. the Negotiable Instruments Act. The negotiating bank of such a bill is not under any obligation to check the particulars of the bill with reference to the terms of the L/C. This practice is, therefore, superfluous and defeats the purpose of issuing the L/C. The discounting banks should first ascertain from the co-accepting banks, the reason for such co-acceptance of bills drawn under their own L/C and only after satisfying themselves of genuineness of such transactions, they may consider discounting such bills.

2.6.2.4 It should be ensured that the branch officials strictly adhere to the above referred instructions at the time of co-acceptance of bills. It would be advisable to determine clear accountability in this respect and officials found to be not complying with the instructions must be dealt with sternly.

2.7 Precautions to be taken in the case of Letter of Credit

2.7.1 In the case of LCs for import of goods, banks should be very vigilant while making payment to the overseas suppliers on the basis of shipping documents. They should exercise precaution and care in comparing the clients. The payments should be released to the foreign parties only after ensuing that the documents are strictly in conformity with the terms of the LCs. There have been many irregularities in the conduct of LC business, such as the LC transactions not being recorded in the books of the branch by officials issuing them, the amount of LCs being much in excess of the powers vested in the officials, fraudulent issue of LCs involving a conspiracy/collusion between the beneficiary and the constituent. In such cases, the banks should take action against the concerned officials as well as the constituent on whose behalf the LCs were opened and the beneficiary of LCs, if a criminal conspiracy is involved.

[4] The scheme which was being operated by the erstwhile IDBI is being continued by IDBI Bank Ltd.
[5] The Scheme which was being operated by the erstwhile IDBI is being continued by IDBI Bank Ltd.

2.7.2 Settlement of claims under Letter of Credits

In case the bills drawn under LCs are not honoured, it would adversely affect the character of LCs and the relative bills as an accepted means of payment. This could also affect the credibility of the entire payment mechanism through banks and affect the image of the banks. Banks should, therefore, honour their commitments under LCs and make payments promptly.

2.8 Compliance to the regulations of Foreign Exchange Management Act, 2000

Banks should note to comply with the directions, regulations issued under Foreign Exchange Management (Guarantee) Regulations, 2000 as amended from time to time.

2.9 Compliance to the Prudential Norms

Banks shall comply with all the related prudential norms issued by RBI as amended from time to time.

Annex 1

Model Form of Bank Guarantee Bond
[paragraph 2.2.7.2]

GUARANTEE BOND

1. In consideration of the President of India (hereinafter called 'the Government') having agreed to exempt ______________________________ [hereinafter called 'the said Contractor(s)'] from the demand, under the terms and conditions of an Agreement dated ___________ made between ____ and__________________________________for____________ (hereinafter called 'the said Agreement'), of security deposit for the due fulfilment by the said Contractor(s) of the terms and conditions contained in the said Agreement, on production of a bank Guarantee for Rs. __________ (Rupees____________________________________ Only) We, ____, (hereinafter referred (indicate the name of the bank) to as 'the Bank') at the request of ____ [contractor(s)] do hereby undertake to pay to the Government an amount not exceeding Rs. _____________ against any loss or damage caused to or suffered or would be caused to or suffered by the Government by reason of any breach by the said Contractor(s) of any of the terms or conditions contained in the said Agreement.

2. We ____ (indicate the name of the bank) do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from the Government stating that the amount claimed is due by way of loss or damage caused to or would be caused to or suffered by the Government by reason of breach by the said contractor(s) of any of the terms or conditions contained in the said Agreement or by reason of the contractor(s)' failure to perform the said Agreement. Any such demand made on the bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee. However, our liability under this guarantee shall be restricted to an amount not exceeding Rs. ______________.

3. We undertake to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the contractor(s)/supplier(s) in any suit or proceeding pending before any Court or Tribunal relating thereto our liability under this present being absolute and unequivocal.

The payment so made by us under this bond shall be a valid discharge of our liability for payment thereunder and the contractor(s)/supplier(s) shall have no claim against us for making such payment.

4 We,____ (indicate the name of bank) further agree that the guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said Agreement and that it shall continue to be enforceable till all the dues of the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till_________________________________ Office/Department/Ministry of_______________________________ certifies that the terms and conditions of the said

Agreement have been fully and properly carried out by the said contractor(s) and accordingly discharges this guarantee. Unless a demand or claim under this guarantee is made on us in writing on or before the ____ we shall be discharged from all liability under this guarantee thereafter.

5. We, ____ (indicate the name of bank) further agree with the Government that the Government shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said Agreement or to extend time of performance by the said contractor(s) from time to time or to postpone for any time or from time to time any of the powers exercisable by the Government against the said Contractor(s) and to forbear or enforce any of the terms and conditions relating to the said agreement and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said Contractor(s) or for any forbearance, act or omission on the part of the Government or any indulgence by the Government to the said Contractor(s) or by any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.

6. This guarantee will not be discharged due to the change in the constitution of the Bank or the Contractor(s)/Supplier(s).

7. We, ____ (indicate the name of bank) lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Government in writing.

8. Dated the ____________ day of ___________ _____ for _______________________________ (indicate the name of the Bank).

Annex 2

List of Circulars consolidated by the Master Circular on Guarantees and Co-acceptances

Sl. No.	Circular No.	Date	Subject
1.	DBR.Dir.BC.No.70/13.03.00/2015-16	07.01.2016	Non-Fund Based Facility to Non-constituent Borrowers of Bank
2.	DBR.BP.BC.No.40/21.04.142/2015-16	24.09.2015	Partial Credit Enhancement to Corporate Bonds
3.	DBR.No.BP.BC.85/21.04.048/2014-15	06.04.2015	Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaing to Advance- Refinancing of Exposures to Borrowers
4.	DBOD.No.BP.BC.107/21.04.048/2013-14	22.04.2014	Fund / Non-Fund based Credit Facilities to Overseas Joint Ventures / Wholly Owned Subsidiaries / Wholly owned Step-down Subsidiaries of Indian Companies
5.	DBOD.BP.BC.No.98/21.04.132/2013-14	26.02.2014	Framework for Revitalising Distressed Assets in the Economy - Refinancing of Project Loans, Sale of NPA and Other Regulatory Measures
6.	Mail-Box Clarification	19.05.2011	Issue of Bank Guarantee (BG) / Letter of Credit (LC) by Commercial Banks to constituents of Co-operative Banks
7.	DBOD.BP.BC.96/08.12.014/2009-10	23.04.2010	Prudential Norms on Advances to Infrastructure Sector
8.	DBOD.No.Dir.BC.136/13.03.00/2008-09	29.05.2009	Issue of Guarantees by Banks
9.	DBOD.No.BP.BC.127/21.04.009/2008-09	22.04.2009	Extension of Guarantee - Maturity Beyond Ten Years
10.	Mail-Box Clarification	15.04.2009	Bank Guarantee with Auto Renewal Clause
11.	Mail-Box Clarification	27.05.2008	Signing of Bank Guarantee
12.	DBOD.No.Dir.BC.72/13.03.00/2006-07	03.04.2007	Guarantees for Export Advance
13.	DBOD.No.Dir.BC.51/13.03.00/2006-07	09.01.2007	Banks' Exposure to Commodity Markets – Margin Requirements
14.	DBOD.No.Dir.BC.35/13.07.10/2006-07	11.10.2006	Guarantees and Co-acceptances

15.	DBOD.BP.BC.No.97/21.04.141/2003-04	17.06.2004	Annual Policy Statement for the year 2004-05 - Prudential Guidelines on Unsecured Exposures
16.	IECD.No.17/08.12.01/2002-03	05.04.2003	Guarantees and Co-acceptances
17.	DBOD.No.BP.BC.47/21.04.141/2002	13.12.2002	Limit of Unsecured Guarantees and Advances
18.	DBOD.No.BP.BC.39/21.04.141/2002-03	06.11.02	Exemption of Advances granted to Self Help Groups (SHGs) against Group Guarantee from the Limit of Unsecured Guarantees and Advances
19.	DBOD.No.BP.BC.90/21.04.141/2001-02	18.04.02	Exclusion of Credit Card Outstanding from the Norms relating to Unsecured Advances and Guarantees
20.	IECD No 16/08.12.01/2001-02	20.02.02	Financing of Infrastructure Projects
21.	DBOD.BP.BC.119/21.04137/2000-01	11.05.01	Bank Financing of Equities and Investment in Shares – Revised Guidelines
22.	DBOD.No.BP.BC.78/21.04.009/99	04.08.99	Bank Guarantees
23.	IECD.No.26/08.12.01/98-99	23.04.99	Financing of Infrastructure Projects
24.	DBOD.No.BP.BC.16/21.04.009/97	28.02.97	Payment under Bank Guarantees - Immediate Settlement of Cases
25.	DBOD.No.Dir.BC.90/13.07.05/98	28.08.98	Bank Finance against Shares and Debentures-Master Circular
26.	IECD.No.21/08.12.01/96-97	21.02.97	Bill Discounting Scheme/ Rediscounting Schemes Operated by Power Finance Corporation Ltd. (PFC)
27.	IECD.No.37/08.12.01/94-95	23.02.95	Issue of Bank Guarantees in favour of Financial Institutions
28.	IECD.No.21/08.12.01/94-95	01.11.94	Bill Discounting Schemes Operated by Small Industries Development Bank of India (SIDBI)
29.	DBOD.No.BP.BC.194/21.04.009/ 93	22.11.93	Payment under Bank Guarantees - Immediate Settlement of Cases
30.	DBOD.No.BC.185/21.04.009-93	21.10.93	Bank Guarantee - Delay in Obtaining Certified Copies of Judgements
31.	DBOD.No.BC.20/17.04.001/92	25.08.92	Committee to Enquire into Various Aspects Relating to Frauds and Malpractices in Banks

32.	DBOD.No.BP.BC.53/C.473-91	27.11.91	Payment under Bank Guarantees - Immediate Settlement of Cases
33.	DBOD.No.Dir.BC.35/C.96(Z)-90	22.10.90	Bank Guarantee Scheme
34.	IECD.No.PMD.BC.12/C.446 (C&P)-90/91	21.09.90	Co-acceptance/Issuance of Guarantee Favouring Financial Institutions - Buyers' Line of Credit Scheme (BLCS)
35.	DBOD.No.Dir.BC.11/C.96-89	09.08.89	Bank Guarantee Scheme
36.	DBOD.No.BP.BC.124/C.473-89	31.05.89	Payment under Bank Guarantees - Immediate Settlement of Cases
37.	DBOD.No.Inf.BC.73/C.109(H)-89	15.02.89	Bank Guarantee Scheme
38.	IECD.No.PMS.207/C.446(C&P)-87/88	29.06.88	Advances on Consortium Basis - Co-ordination Between Banks and All-India Financial Institutions in Dealing with New Investment
39.	IECD.No.EFD.197/822-WGM-MOD-88	30.01.88	Project Exports – Grant of Credit Facilities to Indian Contractors
40.	DBOD.No.BP.BC.71/C.473-87	10.12.87	Payment under Bank Guarantees - Immediate Settlement of Cases
41.	DBOD.No.BP.BC.11/C.473-87	10.02.87	Payment of Invoked Guarantees
42.	DBOD.SIC.BC.5A/C.739(A-1)-87	29.01.87	Co-acceptance of Bills Drawn under Letters of Credit by Banks
43.	DBOD.No.BP.BC.130/C.473-86	15.11.86	Bank Guarantee
44.	DBOD.No.Inf.BC.45/C.109(H)-86	09.04.86	Bank Guarantee Scheme
45.	DBOD.NO.BP.BC.28/C.469(W)-86	07.03.86	Safeguards for Issue of Banks Instruments, etc.
46.	DBOD.No.BP.BC.18/C.473-86	24.02.86	Bank Guarantee
47.	IECD.No.PMS.129/C.446(PL)-85	11.10.85	CAS - IDBI Bills Rediscounting Scheme
48.	DBOD.NO.BP.BC.111/C.469(W)-85	02.09.85	Safeguards for Issue of Banks Instruments, etc.
49.	DBOD.No.Leg.BC.77/C.235C-85	05.07.85	Section 20 of the Banking Regulation Act, 1949
50.	DBOD.No.Dir.BC.25/C.96-84	26.03.84	Guarantee of Inter-company Deposits/Loans by Commercial Banks

51.	IECD.No.CAD.82/C.446(HF-P)-84	02.02.84	Guarantee Furnished by Banks in favour of HUDCO in respect of Loans to State Housing Boards and similar Bodies
52.	DBOD.No.GC.SIC.BC.97/ C.408 (A)-83	26.11.83	Opening of Letters of Credit Issue of Guarantees and Co-acceptance of Bills by Banks
53.	DBOD.No.Dir.BC.44/C.96-83	30.05.83	Guarantee of Inter-company Deposits/Loans by Commercial Banks
54.	DBOD.No.BP.678/C.473-83	11.01.83	Bank Guarantee
55.	DBOD.No.Clg.BC.91/C.109(H)-82	30.09.82	Bank Guarantee Scheme
56.	ICD.No.CAD.18/C.446-82	10.02.82	Bank Guarantee - Honouring of
57.	DBOD.No.Inf.BC.103/C.109-80	11.09.80	Bank Guarantee Scheme
58.	DBOD.No.Clg.BC.21/C.109(H)-80	08.02.80	Bank Guarantee Scheme
59.	DBOD.No.Dir.BC.122/C.107(N)-78	20.09.78	Guarantee of Inter-company Deposits/Loans by Commercial Banks
60.	DBOD.No.Clg.BC.1/C.109-78	02.01.78	Bank Guarantee Scheme
61.	DBOD.No.ECC.BC.77/C.297L(1-A)-78	07.06.78	Unconditional Guarantee Issued by Indian Banks in favour of Overseas Employers/ Importers on Behalf of Indian Exporters
62.	DBOD.No.ECC.BC.89/C.297L(1-D)-76	04.08.76	Bid Bonds and Performance Guarantees
63.	DBOD.No.Fol.BC.9/C.249-76	20.01.76	Co-acceptance of Bills/Guarantees by Commercial Banks on Inter-company Deposits/ Loans
64.	DBOD.No.GCS.BC.25/C.107(N)-74	01.04.74	Guarantee of Inter-company Deposits/Loans by Commercial Banks
65.	DBOD.No.Sch.BC.88/C.96(S)-72	10.10.72	Unsecured Advances Guaranteed by Credit Guarantee Corporation of India Ltd
66.	DBOD.No.BM.BC.81/C.297(P)-72	14.09.72	Bid Bonds and Performance Guarantees
67.	DBOD.No.Sch.BC.68/C.109-72	31.07.72	Bank Guarantee Scheme
68.	DBOD.No.Sch.BC.27/C.96(S)-72	24.03.72	Continuance of Exemption in respect of Inland D/A Bills for the purpose of Norm relating to Unsecured Advances/Guarantees

69.	DBOD.No.Sch.BC.1610/C.96(S)-70	23.10.70	Unsecured Advances and Guarantees
70.	Nat 2002/c.473-70	29.7.70	Guidelines under which guarantees may or may not be considered
71.	DBOD.No.Sch.BC.1051/C.96(S)-69	01.07.69	Unsecured Advances made to Exporters on Consignment Basis to be Excluded for the Purpose of Norm
72.	DBOD.No.Sch.BC.1001/C.96Z-69	23.06.69	Bank Guarantees
73.	DBOD.No.Sch.BC.2381/C.96(Z)-68	14.08.68	Bank Guarantees
74.	DBOD.No.Sch.BC.2342/C.96S-68	08.08.68	Advances against Book Debts
75.	DBOD.No.Sch.BC.481/C.96S-68	30.03.68	Unsecured Advances
76.	DBOD.No.Sch.BC.421/C.96(S)-68	19.03.68	Unsecured Advances - Advances against Supply Bills Drawn on Central/State Governments
77.	DBOD.No.Sch.BC.359/C.96S-68	07.03.68	Unsecured Advances - Inland D/A Bills having a Usance of 90 Days
78.	DBOD.No.Sch.BC.68/C.96(S)-68	12.01.68	Unsecured Advances - Guidelines
79.	DBOD.No.Sch.BC.1850/C.96Z-67	07.12.67	Bank Guarantees
80.	DBOD.No.Sch.BC.1794/C.96Z-67	29.11.67	Bank Guarantees
81.	DBOD.No.Sch.BC.1693/C.96S-67	08.11.67	Advances against Shares and Unsecured Advances - Guidelines
82.	DBOD.No.Sch.BC.1296/C.96Z-67	21.08.67	Bank Guarantees
83.	DBOD.No.Sch.BC.1069/C.96Z-67	11.07.67	Guarantee Business of Banks - Guidelines - Clarification
84.	DBOD.No.Sch.BC.666/C.96Z-67	03.05.67	Guidelines and Norms for Guarantee Business Undertaken by Banks