

# Guarantees and Standby Credits

Comprehensive global solutions  
for your business



# Payment assurance from a world-class financial institution

HSBC provides a range of guarantees, bonds and standbys that may advance the competitive power of your business. HSBC's geographical reach means that we have experts on the ground ready to deliver support, whether you need bid bonds, advance payment guarantees or standbys issued, for commercial or statutory requirements.

## Your needs

Guarantees and Standby Credits may be the right solution for your business if you:

- Want to expand your field of commercial activities
- Are looking to enter new geographical markets
- Aim to reduce the risks of your international operations
- Need to improve your cash flow management
- Want to continue to trade on open account terms
- Need to build a good relationship with the beneficiary
- Want to give your beneficiary assurance from a world-class financial institution.

## Product features

- The most common types of guarantees are:
  - Commercial – Tender/Bid, Performance, Retention, etc
  - Financial – Supporting banking facilities etc.
- Guarantee text can be negotiated between the applicant (you) and the beneficiary (your customer), subject to acceptability by us.
- Guarantees can be issued either directly to the beneficiary on HSBC headed paper or indirectly through the HSBC Group offices.



## Benefits to You

- Accelerate expansion into new markets
- Helps facilitate open account trade
- Provides security to the counterparty by a reputable bank
- Flexibility to participate in any kind of legal contract locally or internationally

# Key Facts: Guarantees and Standby Credits

Role of some Guarantees and Standby Credits in a commercial transaction



Although Guarantees and Standby Credits are similar, there are key differences between the two solutions:

- Some countries, like the US, exclusively issue only Standby Credits.
- Standby Credits expire on their specified date unless extended, while in some markets Guarantees continue to be valid beyond their expiry date and can only expire on return of the original Guarantee document.
- Guarantees may be subject to the "ICC Uniform Rules for Demand Guarantees 758 (2010 Revision)" while Standby Credits are subject to the "International Standby Practices ISP 98, ICC Publication No.590" or the "Uniform Customs and Practice for Documentary Credits (2007 Revision) ICC Publication No 600".
- A Guarantee can also be subject to the specific governing laws of the country of the applicant or beneficiary.

## Types of guarantees

### • Tender Guarantees/Bid Bonds

This bond is often required to support contract tenders, particularly in international trade situations. The bond can be claimed by the beneficiary if the applicant fails to fulfill the tender conditions.

### • Advance Payment Guarantees

This guarantee is used where the applicant receives an advanced payment at an early stage of the contract. The beneficiary can recover the amount paid, or a part thereof, if the applicant fails to fulfil their underlying contractual obligations.

### • Performance Bonds

A common type of guarantee that supports the applicant's obligation under the contract and can be claimed in the event of non-performance or non-delivery.

### • Retention Money Guarantees

Contracts may allow the beneficiary to retain a proportion of the contract payment until substantial completion of the contract has taken place. The beneficiary may be prepared to release this retention money to the applicant against the presentation of a guarantee.

### • Payment/Obligation Guarantee

This guarantee is often used to cover the non-payment of debt(s) arising over a period of time. It provides financial security to the beneficiary should the applicant fail to make payment for the goods or services supplied.

### • Financial Guarantee

A common type of guarantee issued to support various kinds of financial obligations of the applicant. It allows the beneficiary to claim upon non-payment of monies. For example; guarantees in support of Banking facilities.

## Risk Characteristics

Guarantees are an independent instrument from the underlying transaction/contract(s)/performance being guaranteed. You can take additional steps to enhance protection by:

- Verifying the beneficiary's reputation and track record
- Ensuring that the text of the guarantee is unambiguous
- Ensuring that the issuing bank has a good credit rating

**Why choose HSBC?**

Our experience servicing clients large and small, our market knowledge, geographic presence and innovative solutions are unsurpassed. Whether you are a small-to-medium size enterprise or a multinational corporation, HSBC is committed to supporting the entire transaction cycle of your business. When it comes to trade and supply chain, HSBC is your banking partner of choice.

**Globally**

Our global network serves customers worldwide with around 3900 offices in 67 countries and territories in Europe, Asia, the Middle East and Africa, North America and Latin America. We have the global coverage and local capabilities to provide you with innovative trade and supply chain solutions tailored to your needs.

**Contact points**

For further information please contact your HSBC Relationship Manager or Trade and Supply Chain specialist today.

If you do not have a Relationship Manager, or are not an HSBC customer, call us on 2380 1843 during office hours or contact Commercial Banking Contact Centre on 2380 8000 from 8.00am to 5.00pm Monday to Friday (excluding public holidays). Alternatively you may visit [www.business.hsbc.com.mt](http://www.business.hsbc.com.mt)

Trade and Supply Chain  
HSBC Bank Malta p.l.c.  
Business Banking Centre  
80 Mill Street, Qormi QRM 3101 Malta

Note: Independent legal advice should be sought if you are unsure of any terms of the bank guarantees and standby credits or whether it meets with your individual requirements.

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(Ref No. 100502-03/2018)