ASSURO

Bank guarantees made easy.

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"We have saved thousands in upfront costs by sourcing our guarantees through the Assuro platform."

WAYNE RUSHTON, CFO
FIRESAFE GROUP

UNDERSTANDING BANK GUARANTEES

Bank guarantees play a critical role in protecting the interests of parties in commercial transactions – particularly in industries such as leasing, construction and contracting, where significant financial obligations are involved. This guide provides an overview of what a bank guarantee is, who uses them, how they work and how Assuro helps streamline the process.

WHAT IS A BANK GUARANTEE?

A bank guarantee is an unconditional and irrevocable undertaking issued by a bank to a beneficiary to pay an amount of money if requested to do so by the beneficiary. A bank guarantee is provided by the bank on behalf of the issuing party (applicant) who has generally deposited an amount of money equivalent to the bank guarantee with the bank. Although some banks may hold another type of security, such as property or over the balance sheet, the main form of security used is cash.

WHO USES BANK GUARANTEES?

Bank guarantees are commonly used in two scenarios. First, they are used as security to underpin commercial leases. Where a company leases a property, they will often be required to provide a bank guarantee as part of their lease conditions before they gain entry to the property. The bank guarantee is generally held by the property manager and can be claimed if the tenant fails to pay rent.

Bank guarantees are also widely used in the commercial construction industry. Instead of using cash retentions, contractors may provide bank guarantees as security to perform the works and cover the defect period which commences after the development reaches practical completion.

HOW DO BANK GUARANTEES WORK WITH ASSURO?

The business that is required to provide the bank guarantee will need to submit an application to the bank. Once the application has been processed, the bank will issue a draft bank guarantee to the parties. If the draft bank guarantee is acceptable and is cash secured, the applicant will deposit an amount of cash with the bank equivalent to the bank guarantee. For example, if the bank guarantee is for $50,000 the applicant will need to deposit $50,000 with the bank issuing the guarantee.

Once the cash security is received, the bank will issue the bank guarantee to the beneficiary (the party receiving the guarantee from the applicant). The beneficiary will then hold the guarantee until the lease concludes or the construction project is complete. If the applicant does not perform its obligations under the lease or construction contract, the beneficiary can 'claim' the bank guarantee by presenting the original document to the bank and requesting payment. If the original bank guarantee is presented to the bank by the beneficiary, the bank will pay the money to the beneficiary.

Alternatively, if the applicant completes its obligations under the lease or construction contract, the beneficiary will return the original guarantee to the applicant. The applicant can then return the original guarantee to the bank and the bank will release the funds it holds back to the applicant.

HOW DOES ASSURO HELP?

The Assuro platform saves our clients time and money by offering a range of market leading guarantee products in one place without having to visit the bank. The Assuro platform ensures all the relevant information is gathered at the outset and coupled with assistance from our dedicated relationship managers, bank guarantee applications are processed as efficiently and as easily as possible.

We're here to simplify business, not complicate it.

MARKET LEADING PRODUCTS

- ☑ Multiple banks to choose from
- ☑ High return guarantees
- ☑ Low-cost guarantees

QUICK & EASY

- ☑ 15 minute application
- ☑ Same day draft approval
- ☑ Issuance in 1-3 business days

PEACE OF MIND

- ☑ Real-time updates & tracking
- ☑ Exceptional support at every step
- ☑ Tools to streamline ongoing management