OFFICE OF THE FINANCIAL ADVISER & CHIEF ACCOUNTS OFFICER SOUTH CENTRAL RAILWAY RAIL NILAYAM SECUNDERABAD-500071

No. AFX/EMD/Policy/Vol.I

Date: 07.04.2011

PCE,COM,CSTE,CCM,CME, CEE,CPO,CMD,COS,CSC CAO/C, CSTE/Con. DRM/HYB,SC,BZA,GTL,GNT,NED

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Sub: Verification of Bank Guarantee/Indemnity bonds by Law branch – Delegation to departments.

Ref: DGM/Law letter No. G.149/Law/Litigation/General Instructions dated 07.02.2011.

There is a proposal from SDGM's office to dispense with Law branch vetting of Bank Guarantee/Indemnity bonds and entrusting the process of verification to concerned executive departments.

Law branch is of the opinion that, since Standard proforma of Guarantee Bond/Indemnity Bond is already prescribed by the Railway Board and the same are supplied to the contractors along with the tender forms by the departments, there is no further necessity of verification of these documents by Law branch. It has been stated that, Law branch will also provide a check list to all the executive departments for verification of the above documents and in case of any doubts, the executive department can always make a reference to Law branch in that particular case.

Since the above issue does not pertain only to Headquarter/Construction departments and the divisions are also involved for the contracts finalized at divisional level, the matter has already been addressed to all the divisional/unit Accounts officers to furnish their views and comments on the above to take a policy decision at this end. Final decision will be taken on receipt of the opinion of all the divisions.

Meanwhile, as per the suggestion of SDGM, it is advised that till a policy decision is taken on the issue, the Bank Guarantee/Indemnity bonds received by the executives should be verified as per the checklist (enclosed) before they are sent to Law branch for final verification.

It is also requested that suitable instructions may be issued from Headquarters to the executive officers at unit level for proper verification of general aspects of documents at their level before they are sent to Law branch.

This has the approval of FA&CAO/G.

Encl: As above.

(Malabika G. Mohan) Dy.CAO/G /FA&CAO

Copy to: FA&CAO/C, FA&CAO/S&W, FA&CAO/T
DGM/Law/SC, Sr.DFM/HYB,SC,BZA,GTL,GNT,NED
WAO/LGD, WAO/RYPS & CRS/TPTY
for kind information.

Check List For Verification Of Bank Guarantee/ Extension Guarantee And Indemnity Bond

17 BANK GUARANTEE.

- The Guarantee Bond is to be compared scrupulously with the Standard Proforma given by 1] Railway Board and ensure that it is in strict compliance of the proforma. 21
- Ensure that the Guarantee Bond is issued by a Scheduled Bank.
- Ensure that the Guarantee Bond is executed on stamp paper of proper value. The value of the 31 stamp paper depends on State where the document is executed. In AP it is Rs. 100/-. A list of stamp value of other States is enclosed.
- The stamp paper shall be from the State of executing Bank. 4]
- The date of execution of the bond is to be verified to ensure that the execution date is not prior 5] to the date of purchase of Stamp paper, since a bond cannot be signed before it is purchased.
- Stamp paper shall be purchased in the name of either of the parties to the bond i.e. Rly. or the 6] Bank.
- Validity of the Bank Guarantee should be noted. If guarantee is to be extended department 7] should obtain the extension within the validity period of guarantee.
- The Bank Guarantee may be addressed to the Accounts Officer Concerned in terms of 8] FA&CAO's letters No.AFX/EMD/Policy dated 24.09.2008 and No.ABK/D03/I/Paper Security Policy dated 31.12.2008.

111 **EXTENSION OF BANK GUARANTEE:**

- The date of execution of the bond is to be verified to ensure that the execution date is not prior 1] to the date of purchase of Stamp paper, since a bond cannot be signed before it is purchased.
- Value of stamp paper for extension guarantee in AP is Rs. 50/-. 2]
- For extension guarantee, entire proforma need not be re-produced. It is sufficient to mention 31 the guarantee No. and date up to which guarantee is extended. A sentence that "all other terms and conditions of original guarantee shall apply" or "this extension guarantee shall form part of the original guarantee" will suffice.

IIII INDEMNITY BOND:

- The Indemnity Bond is to be compared scrupulously with the Standard Proforma given by 11 Railway Board.
- Ensure that the Indemnity Bond is executed on stamp paper of proper value. The value of the 2] stamp paper depends on state where the document is executed. In AP it is Rs. 100/-. A list of stamp value of other states is enclosed. The stamp paper shall be from the state of executing.
- The date of execution of the bond is to be verified to ensure that the execution date is not prior 3] to the date of purchase of Stamp paper, since a document cannot be signed before it is purchased.
- Stamp paper shall be purchased in the name of either of the parties to the bondi.e. Rly or the 4] Bank.
- Where the Indemnity bond is executed by a Company the bond shall be accompanied by the 51 Board's resolution authorizing the Exeuctant to sign the Bond. Where the Indemnity Bond is executed by a Partnership Firm the bond shall be accompanied by the authority from the firm authorizing the executant to sign the bond.
- 6] Solvency of the executing party may be ensured.