

Bank Guarantee: What you need to know

Do you want to offer your customers and suppliers a guarantee of payment to secure a contract or a leasing arrangement?

We've put together this fact sheet to help make the process simpler for you every step of the way.



What is a Bank Guarantee?

A Bank Guarantee may be suitable for business customers, government entities, individuals and not-for-profit organisations who need to promise payment to a third party (known as a "Favouree") upon some event or condition, e.g. securing a lease for a shop or deposit for a property purchase off the plan. Customers can use cash or a residential/commercial property to secure a Bank Guarantee.



Getting started

Collect the following information from your Favouree or your Favouree's solicitor (The Favouree is the person or entity that will receive the benefit of the guarantee):

- Delivery of Bank Guarantee: Paper or Electronic
- The Legal Name of the Favouree
- The ABN or ACN of the Favouree (if they are not an individual)
- The Purpose of the Guarantee
- The Expiry Date of the Guarantee
- The Amount of the Guarantee (minimum \$5,000)

Our Privacy Policy explains how we collect, use, hold and disclose personal, business and credit information. It can be found here <https://www.commbank.com.au/support/privacy.html>. If you are providing personal information on behalf of other individuals, you must ensure you are authorised to do so and provide them with a copy of the Privacy Policy.

When you first apply for your Bank Guarantee, it is important that you provide us with all the correct information. If you need to make changes to the documentation later, you may incur a \$250 re-documentation fee.



Who can be a 'Favouree'?

- The Favouree must be a legal entity, including individuals and small to large businesses.
- Businesses must have a valid Australian Business Number (ABN) or Australian Company Number (ACN).
- A Bank Guarantee cannot be issued in favour of:
 - Superannuation Funds (unless the Trustee, Custodian, Administrator or Owner of the Fund is a legal entity and named e.g. ABC Pty Ltd ACN 123 456 789 or John Smith as Trustee for the ABC Superannuation Fund)
 - Standalone Trusts (unless the trustee is also named e.g. Sample Company Pty Ltd ACN 123 456 789 as trustees for the Bond Family Trust)
 - Partnerships (unless each of the partners that make up the partnership are also named) e.g. Apples Pty Ltd ACN 111 222 333 and Oranges Pty Ltd ACN 123 456 789 as partners for the Great Fruit Partnership.
 - Unincorporated entities (unless individuals on behalf of the unincorporated entity are named e.g. John Smith on behalf of 'name of unincorporated entity')





What is a 'Purpose'?

The Purpose should clearly articulate what the Bank Guarantee is for (e.g. lease of property located at a specified address), so that it is effective in guaranteeing what it was designed for.

The most common purposes for taking out a Bank Guarantee are:

- **Security Deposit:** Used for rental bonds to landlords, or real estate agents, for the leasing of premises e.g. Leasing obligations at Shop 4, 123 Bond St Sydney 2000.
- **Off the Plan Purchases:** When buying a property, the guarantee takes the place of the cash deposit between the time of exchange and settlement of the property e.g. Off the Plan Purchase at 123 Bond St Sydney 2000.
- **Contract Performance Guarantee:** For the manufacture and/or supply of goods and services e.g. Performance obligations per contract (name/number) or Performance related to Sample Contract.



What is an 'Expiry Date'?

- The Expiry Date is effectively the end date of your Bank Guarantee – it's when your obligations to the Favouree, and the Bank, under the Bank Guarantee ends. An Expiry Date ensures that at some point you will be able to get your security back provided there is no claim made by the Favouree.
- An Expiry Date is important to ensure that if the Bank Guarantee is not returned for cancellation, or if you lose contact with the Favouree, that your liability still has an end date, otherwise the Bank Guarantee could continue indefinitely.
- An Expiry Date ensures that the Favouree cannot claim on the Bank Guarantee after the obligation has ceased (e.g. lease term has expired), otherwise the Favouree could make a claim after the obligation has ceased and the Bank is obliged to use your security funds to pay the Favouree without contacting you.
- You, and the Favouree, agree on an Expiry Date and let us know. If, for any reason, you expect that you may wish to extend the guarantee term in the future, you can choose an expiry date option that can be later extended by the Favouree.
- After the Expiry Date, when your contract, lease or obligation with the Favouree is complete, you will no longer be charged fees for the guarantee.



What fees are involved?

- **Establishment Fee:** This fee is charged to your Commonwealth Bank nominated account after you provide the details for the establishment of your Bank Guarantee.
- **Re-documentation Fee:** This \$250 fee is charged to your Commonwealth Bank nominated account if a new Bank Guarantee is reissued due to incorrect information.
- **Ongoing Guarantee Fee:** This fee is charged every 6 months in advance to your Commonwealth Bank nominated account, with the first fee being charged on, or about, the same date as your Establishment Fee. Your final ongoing fee will be pro-rated.

The following fees apply for Bank Guarantees:

Type of Security	Fees Charged	
	With Expiry Date	Without Expiry Date
Cash Covered up to \$1m	<ul style="list-style-type: none"> • Establishment Fee: \$250 or 0.25% of Bank Guarantee amount, whichever is greater • Guarantee Fee: 2.50% pa of the Bank Guarantee amount charged half-yearly in advance (minimum of \$250.00 pa). 	<ul style="list-style-type: none"> • Establishment Fee: \$250 or 0.25% of Bank Guarantee amount, whichever is greater • Guarantee Fee: 3.00% pa of the Bank Guarantee amount charged half-yearly in advance (minimum of \$250.00 pa).
Other assets or third-party security	Relevant fees will be calculated and advised at establishment.	





What security can I use for the Bank Guarantee?

You can use cash, property, or other assets as security for your Bank Guarantee.



How do I apply for a Bank Guarantee?

You can apply for a Bank Guarantee by:

- Apply via our [CommBank Website](#)
- Contacting your Relationship Manager
- Contact our Business Banking Team 13 19 98
- Applying via CommBiz (available only for customers with an existing Bank Guarantee limit in place)
- Visiting your local branch

The Bank Guarantee details will be processed, and we will contact you when the Bank Guarantee is ready. You can choose to accept the Bank Guarantee electronically, in branch or via your Relationship Manager



How can I accept the Bank Guarantee documents?

Type	Acceptance of Documents	Delivery of Bank Guarantee	Description
SmartSign (Full)	Online through portal	Electronic Bank Guarantee – via email	<p>SmartSign is only applicable for cash covered Bank Guarantees with a value of \$250,000 or less.</p> <p>You and any other signatories will receive an email to access the online DocuSign portal to electronically sign the security documents.</p> <p>Once all signatories have signed the documents, the Bank Guarantee will be automatically emailed to the Favouree (no paper Bank Guarantee will be issued).</p> <p>Note: Before requesting this type of Bank Guarantee, you must confirm with the Favouree that they have agreed to not receive a physical paper Bank Guarantee.</p> <p>A \$250 re-documentation fee may apply if the electronic Bank Guarantee is not accepted.</p>
SmartSign (Hybrid)	Online through portal	Paper Bank Guarantee – In Person	<p>SmartSign is only applicable for cash covered Bank Guarantees with a value of \$250,000 or less.</p> <p>You and any other signatories will receive an email to access the online DocuSign portal to electronically sign the security documents.</p> <p>Once the documents have been signed, the Bank will contact you to collect Bank Guarantee.</p>
Paper	In Person	Paper Bank Guarantee – In Person	The bank will contact you to arrange for you to sign the security documents and collect the paper Bank Guarantee.



How can the Favouree make a claim on the Bank Guarantee?

The Favouree can make a claim by providing the following documentation to your local Branch/ Relationship Manager:

- Letter of Demand addressed to CBA; and/or
- Original Bank Guarantee (if issued in paper).

Note: the Bank must uphold the Guarantee and it's an irrevocable commitment to pay the Favouree if claimed upon



How do I cancel my Bank Guarantee?

For your Bank Guarantee to be cancelled, **one** of the following needs to occur:

- You, or the Favouree, return the original Bank Guarantee to the Bank;
- The Favouree confirms to us in writing (with the Favouree's signature) that they no longer require the guarantee;
- The Expiry Date of the guarantee is reached; no further action is required by you or the Favouree
- The Favouree is paid the whole of the guaranteed amount or such lesser sum as may be required by the Favouree

Once one of these events occurs, we will write to you confirming that the guarantee has been cancelled. Once your Bank Guarantee is cancelled you can then have your security released. In the event where cash is held as security in a term deposit account, you can choose to leave the term deposit until maturity or provide a 31-day notice prepayment request to release.



How can I make an amendment to the Bank Guarantee?

Please contact your Relationship Manager, our Business Banking Team on 13 19 98 or visit your local branch to request an amendment to your existing Bank Guarantee

Note: A \$250 re-documentation fee may apply.



Things you should know

*This information is current as at 19 April 2021 and is for general information purposes only. It has been prepared without taking into account your objectives, financial or taxation situation or needs. You should consider the appropriateness of this information to your circumstances before acting on it and if necessary seek appropriate financial advice. Credit provided by the Commonwealth Bank of Australia. These products are only available to approved business customers and for business purposes only. This offer cannot be used to refinance existing debt or purchase an asset. Applications for finance are subject to the Bank's eligibility and suitability criteria and normal credit approval processes. View our current [Terms and Conditions for Business Finance](#), [Financial Services Guide](#) and [Business Transaction Account Terms and Conditions](#) and consider them before making any decision about these products. For current interest rates, visit [Business banking rates and fees](#). Rates are subject to change. Fees, charges and Terms & Conditions apply. Terms and conditions issued by Commonwealth Bank of Australia ABN 48 123 123 124 for [CommBiz](#) and [NetBank](#) are available online, or can be requested at any of our branches.