

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 and more straightforward 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, 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	<p>Collect the following information from your Favouree (The Favouree is the person or entity that will receive the benefits of the guarantee):</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Name of the Favouree <input type="checkbox"/> The ABN or ACN of the Favouree (if they are not an individual) <input type="checkbox"/> The Purpose of the guarantee <input type="checkbox"/> The Expiry Date of the Guarantee <input type="checkbox"/> The Amount of the Guarantee (minimum \$5,000) <p>When you first apply for your Bank Guarantee, it is vital that you provide us with all the correct information (if you need to make changes to the documentation later, you may incur a \$250 fee).</p>
Who can be a 'Favouree'?	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Superannuation Funds • Standalone Trusts (unless the trustee is also named) • Partnerships (unless each of the partners that make up the partnership are also named) • Unincorporated entities
What is a 'Purpose'?	<p>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.</p> <p>The most common purposes for taking out a Bank Guarantee are:</p> <ul style="list-style-type: none"> • Security Deposit: Mainly used for rental bonds to landlords, or real estate agents, for the leasing of premises. • 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. • Contract Performance Guarantee: For the manufacture and/or supply of goods and property development.
What is an 'Expiry Date'?	<ul style="list-style-type: none"> • The Expiry Date is effectively the end date of your Bank Guarantee – it's when your liability 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. • 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?	<ul style="list-style-type: none"> • Establishment Fee: This fee is charged to your Commonwealth Bank nominated account after you provide the details for the establishment of your Bank Guarantee. • 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.

The following fees apply for Bank Guarantees:

Type of Security	Fees Charged	
Cash Covered up to \$1m	With Expiry Date	Without Expiry Date
	<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:

- Booking an appointment with a Small Business Specialist
- Contacting your Relationship Manager
- Visiting your local branch
- Applying via CommBiz (available only for customers with an existing Bank Guarantee limit in place)

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 do 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>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. A 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>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 and arrange for you to pick up the paper 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 then pick up 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 person)

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; or
- The Favouree is paid a guaranteed amount.

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 returned. 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

Things you need to know

As this information has been prepared without considering your objectives financial situation or needs, you should, before acting on this information, consider its appropriateness to your circumstances. Applications for finance are subject to the Bank's normal credit approval. Full terms and conditions are included in the loan offer. Bank fees and charges may apply.