

SOUTHERN RAILWAY

Headquarters Office,
Law Branch,
4th Floor, Moor Market Complex,
Park Town, Chennai 600 003.

No.: C.356/Genl/Law/2026/BG

Dated, 27th April, 2026


PCE, PCEE, PCME, PCSTE, PCMM,
PFA, PCCM, PCOM, PCPO, PCSC, PCMD,
CAO/CN/MS, CAO/CN/ERS,
DRM MAS, SA, PGT, TVC, MDU, TPJ,
CWM/CW/PER, CWM/LW/PER, CWM/GOC/TPJ,
CWM (S&T) PTJ, CE/EWS/AJJ, DY.CMM/RPM
DGM(G), ADGM.

Sub: Model form of Bank Guarantee Bond with instructions.

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AGM desired that a model form of Bank Guarantee Bond with detailed instructions be circulated amongst all the Departments for its uniform adoption. Keeping this in view, a model form of Bank Guarantee Bond in accordance to the format circulated by Railway Board vide letter No. Track/21/2007/0113/7/8/BG dated 15/02/2008, which is akin to the format issued by Reserve Bank of India, is prepared and circulated herewith, with instructions thereon as under, which may be followed invariably:

1. The above format may be included in the Tender Notifications for its uniform application.
2. The Departments shall insist the Contractor to obtain Bank Guarantee issued by any of the Nationalized / Scheduled Banks.
3. The Bank Guarantee Bonds shall be executed on a non-judicial stamp paper of appropriate value or by way of e-Stamp/franking, in accordance with the Stamp Act prevailing from time to time in the State/UT from which it is issued. The penalty, if any, on the deficient Stamp Duty paid shall be borne by the contractor.
4. Date of execution of Bank Guarantee Bonds shall not be prior to the date of purchase of the non-judicial stamp paper/e-Stamp/franking as the case may be. Any Bank


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Guarantee executed prior to the date of purchase of non-judicial stamp paper is invalid.

5. Stamp paper/e-Stamp shall be purchased in the name of either of the parties to the Bond i.e., Railway or the Bank/contractor concerned.

6. The beneficiary's name shall be correctly mentioned as "President of India", acting through the Principal Financial Advisor or the Financial Advisor & Chief Accounts Officer or Dy. Financial Advisor & Chief Accounts Officer or Sr. Divisional Financial Manager or Divisional Financial Manager, as the case may be.

7. As per extant Reserve Bank of India guidelines, Guarantees Bonds, exceeding Rs.50,000/- shall be executed by two authorized bank officials, whose name, designation and Employee Code shall be specifically appended thereto, duly affixing Bank seal.


8. Bank Guarantee Bond number with date of issue shall be appended on each pages of the Bond duly ensuring pagination.

9. Signatures of two witnesses with name and full address/credentials may be insisted upon to safeguard the interest of Railway administration.

10. Corrections and manuscripts in the Bank Guarantee Bonds shall be appropriately countersigned by the authorized bank officials, duly affixing the Bank seal, to avoid ambiguity.

11. The model form attached herewith may be followed for performance guarantee as well. However, specific model provided in portals like GeM shall be followed, if the tender is floated through the said portal. Any other prescribed model (*as in the case of RFP*) may be followed, as applicable, to the specific occasion.

12. Upon receipt of the Guarantee Bonds, the Departments shall invariably seek an independent confirmation as regards the genuineness of the Bank Guarantee Bonds from the appropriate Bank officials, as per letter No.2005/AC-II/25/19 dated 08/09/2005 (RBA No. 52/2005) issued by Accounts Directorate of Railway Board. Other instructions issued by vide the letter above shall strictly be adhered to. Factual accuracy mentioned in the Bonds shall also be ensured by the Department concerned.

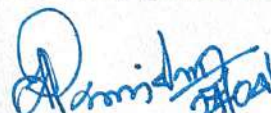

23/04/2020

13. As in the case of original Bank Guarantees, the amendment/extension deeds thereto are also required to be executed on non-judicial stamp paper of appropriate value prevailing in the state / UT from which it is issued. Amendments/extension deeds shall be issued within the validity period given in the Original Guarantee Bonds.

14. Besides the above, Railway Board's extant instructions regarding online verification facility for Bank Guarantees through SFMS platform in IPAS circulated vide PFA/HQ's letter No. G25/HQ/MAZ/XC/2025-26 dated 12/01/2026 may be complied with.

15. Ordinarily, neither the Bank Guarantee Bonds nor amendments/extension deeds thereto are subjected to legal verification. However, in case of any ambiguity, such of the Bank Guarantee Bonds / amendments / extension bond thereto may be referred to the concerned Chief Law Assistants for verification with specify query, duly forwarding the Original Guarantee Bonds, accompanied by copies of Agreements or LOAs or POs, whichever is applicable, without any delay for verification. In case of amendments / extension deeds, the same shall be accompanied by copy of original BG/last amendment/extension deed. In case no Chief Law Assistant is attached with the Division/Unit, the same may be referred to the Law Officer concerned, duly ensuring its factual accuracy.

A copy of 'Information Capsule on Bank Guarantees' issued by the Vigilance Branch as part of Vigilance Awareness Week 2024 is also enclosed herewith for clarity and guidance please.


(K. P. HARIKRISHNAN)
Law Officer/HQ

Encl: As above.

Copy to: PS to AGM – For the kind information of AGM.
PS to SDGM – For the kind information of SDGM.

Copy to: Law Officer PB & Accts, HQ-II/CCO,
CAO/CN/MS & Engg., MAS & ED,
TPJ/GOC & MDU, SA & CN/ERS, TVC

CLA HQ/Law Br., CCO, SA, PGT, MDU, TPJ

MODEL FORM OF BANK GUARANTEE BOND

(To be issued on non-judicial stamp paper of appropriate value prevailing in the State / UT)

GUARANTEE BOND

Bank Guarantee No.:

Date of issue:

Amount:

Validity:

Claim date:

To:

The President of India,

Acting through

(insert details of Associate Financial Manager with full address)

Sub: **(insert details of the work)**

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In consideration of the **President of India**, acting through **(insert details of Associate Finance Manager)** (hereinafter called "the Government") having agreed to exempt M/s **(insert name and address of contractor)** (hereinafter called "the said Contractor(s)" / "Supplier(s)"), from the demand under the terms and conditions of an Agreement (or Letter of Acceptance or Purchase Order) No. dated..... made between **(insert details of authority who signed the Agreement / LOA / PO)** and the said Contractor for **(insert details of the work(s) / material(s) to be supplied)** (hereinafter called the said Agreement or Purchase Order or Letter of Acceptance), of Security Deposit for the due fulfilment by the said Contractor of the terms and conditions contained in the said Agreement / LoA / PO on production of a Bank Guarantee for Rs..... (Rupees only), We, **(insert name and address of the Bank)** (hereinafter referred to as "the Bank"), at the request of the said Contractor(s)/Supplier(s), do hereby undertake to pay to the Government an amount not exceeding Rs...../- (Rupees only) against any loss or damage caused to or suffered or would be caused to or suffered by the Government by reason of any breach by the said Contractor of any of the terms or conditions contained in the said Contract.

2. We,(***insert name of the Bank***), do hereby undertake to pay the amounts due and payable under this Guarantee without any demur, merely on a demand from the Government stating that the amount claimed is due by way of loss or damages caused to or would be caused to or suffered by the Government by reason of breach by the said Contractor(s) of any of the terms and conditions contained in the said Agreement or by reason of the Contractor(s) failure to perform the said Agreement. Any such demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this Guarantee. However, our liability under this Guarantee shall be restricted to an amount not exceeding Rs...../- (Rupees.....only).

3. We undertake to pay to the Government any money so demanded notwithstanding any dispute or disputes raised by the Contractor(s) / Supplier(s) in any suit or proceeding pending before any Court or Tribunal relating thereto, our liability under the present being absolute and unequivocal.

The payment so made by us under this Bond shall be a valid discharge of our liability for payment thereunder, and the Contractor(s) / Supplier(s) shall have no claim against us for making such payment.

4. We, (***insert name of the Bank***), further agree that the Guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said Agreement and that it shall continue to be enforceable till all the dues of the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till (***insert details of appropriate authority / Department of Ministry of Railways***) certifies that the terms and conditions of the said Agreement have been fully and properly carried out by the said Contractor(s) / Supplier(s) and accordingly discharges this Guarantee. Unless a demand or claim under this Guarantee is made on us in writing on or before the (***date of validity / claim as the case may be***), we shall be discharged from all liability under this Guarantee thereafter.

5. We,(***insert name of the Bank***) further agree with the Government that the Government shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said Agreement or to extend time of performance by the said Contractor(s) from time to time or to postpone for any time or from time to time any of the powers exercisable by the

Government against the said Contractor(s) and to forbear or enforce any of the terms and conditions relating to the said Agreement and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said Contractor(s) or for any forbearance, act or omission on the part of the Government or any indulgence by the Government to the said Contractor(s) or any such matter or thing whatsoever which under the law relating to sureties would, but for this provision, have effect of so relieving us.

6. This Guarantee will not be discharged due to the change in the constitution of the Bank or the Contractor(s)/Supplier(s).

7. We, (*insert the Name of the Bank*), lastly undertake not to revoke this Guarantee during its currency except with the previous consent of the Government in writing.

Notwithstanding anything hereinabove:

- a) Our liability under this Guarantee is limited to a sum of Rs...../- (Rupees only);
- b) The validity of this guarantee shall be available upto (*insert validity date*);
- c) We are liable to pay the guaranteed amount or any part thereof under this Bank Guarantee only and only if the Government serves upon the Bank a written claim or demand on or before (*insert claim date*)

Dated, thisday of(month),..... (year)

(Signature(s) of Authorized signatories with name, designation and Employee Code and Bank Seal)

Witness (1):

Signature:

Name:

Address:

Witness (2):

Signature:

Name:

Address:



SOUTHERN RAILWAY

VIGILANCE ORGANISATION


INFORMATION CAPSULE

ON

BANK GUARANTEE

Vigilance Awareness Week 2024

VAW 2024



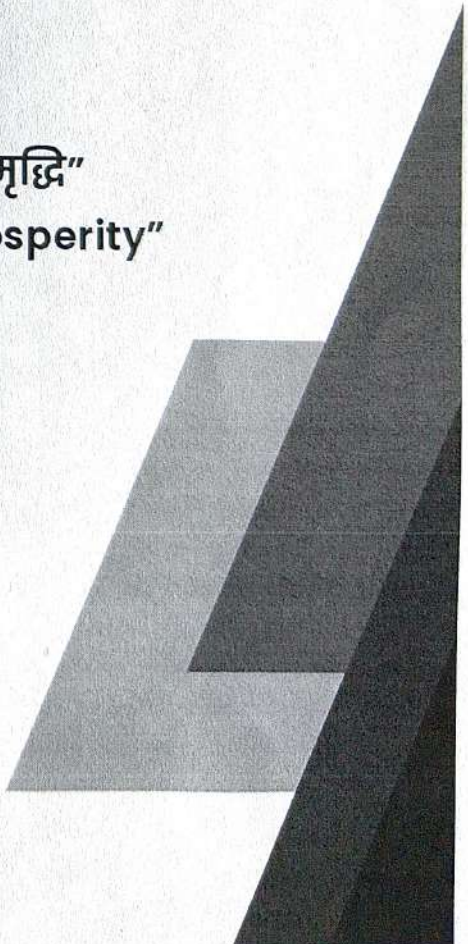
கற்க கசடறக் கற்பவை கற்றபின்
நிற்க அதற்குத் தக.

VAW 2024

“सत्यनिष्ठा की संस्कृति से राष्ट्र की समृद्धि”
“Culture of Integrity for Nation's Prosperity”

THIRUKKURAL – 391

Learn thoroughly what should be learnt.
And having learnt, stand according to that.





BANK GUARANTEE

INTRODUCTION

A Bank Guarantee (BG) is a formal commitment by a bank to the beneficiary of the guarantee. It ensures that, in case the party on whose behalf the guarantee is provided fails to fulfill their contractual obligations, the bank will be responsible for covering the financial liability, up to the specified amount in the guarantee.

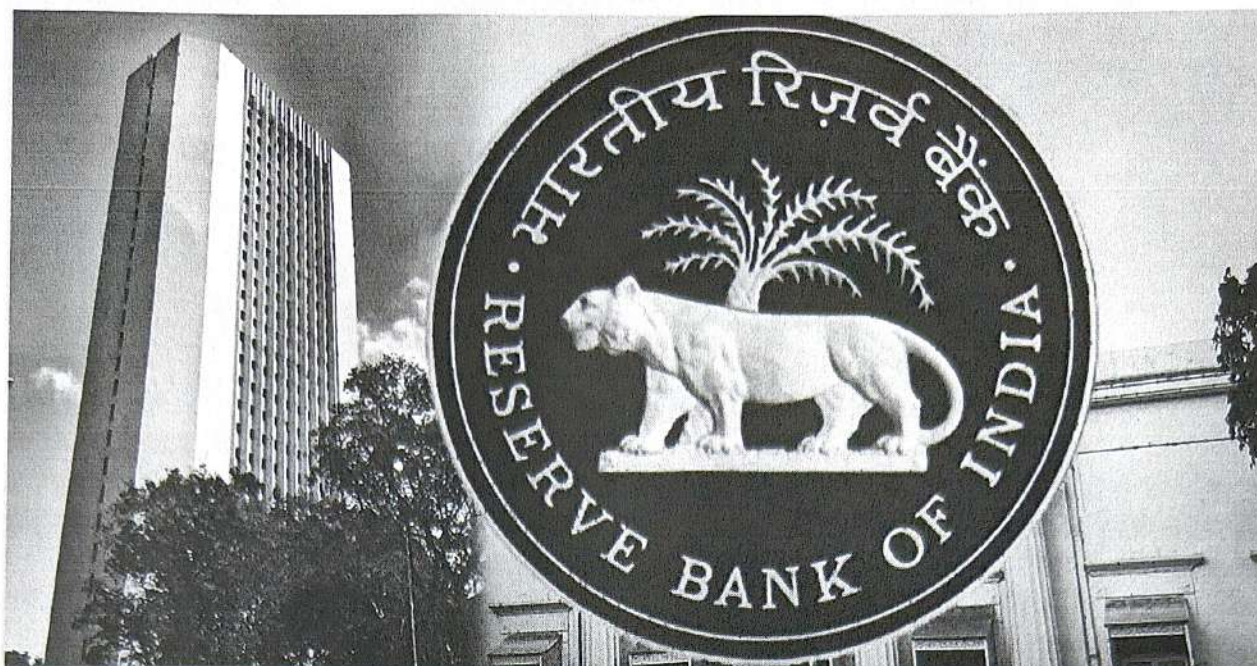
USE OF BANK GUARANTEE (BG) IN RAILWAYS:

In Railways, a Bank Guarantee (BG) is accepted as a Security Deposit in Supply Contracts to ensure the supplier fulfills the contract, or as a Performance Guarantee in Works Contracts to guarantee the contractor successfully completes the work.

Bank Guarantees from any Scheduled Commercial Bank can be accepted. (Scheduled Commercial Banks are banks listed under the second schedule of the RBI Act, 1934, and include public sector banks, private banks, and foreign banks.)

In case of Supply contracts, the Bank Guarantee must remain valid for at least 60 days beyond the completion of all the supplier's contractual obligations, including warranty obligations. If the contract's duration is extended, the validity of the BG should also be extended accordingly.

In case of Works contracts, the Bank Guarantee must remain valid for at least 60 days beyond the stipulated date of completion. If the contract's duration is extended, the validity of the BG should also be extended accordingly.



RBI GUIDELINES ON THE ISSUANCE AND ENCASHMENT OF BANK GUARANTEES (BG):

The Reserve Bank of India (RBI), through its Master Circular on Guarantees and Co-acceptances (DOR.STR.REC.66/13.07.010/2021-22, dated 9th November 2021), has outlined several guidelines for banks regarding the issuance and invocation of Bank Guarantees (BG). Key guidelines are summarized below:

1. Model Format for Bank Guarantees:

The RBI, in Annex 1 of the circular, has provided a model format for Bank Guarantees that banks are required to follow. All the banks furnish BGs in this format only.

2. Request for Encashment:

A request to encash a BG must be made to the bank on or before the BG's validity date. After this date, the bank will not honour such requests. The bank is discharged from liability to honour such requests made after the validity period. (Ref: Para 4 of the model format of the BG under Annex 1)

BANK GUARANTEE

3. Payment Upon Demand:

If a request for encashment is made before the BG's validity expires, the bank must pay the requested amount (up to the BG limit) without questioning the Railways or asking for further details. The bank is also not permitted to reject the request for payment. (Ref: Para 2 of the model format of the BG under Annex 1)

4. No Need to Submit the Original BG:

It is not mandatory to present the original BG document when requesting encashment. Railways can request encashment even without having the original BG, as a valid claim is sufficient. (Ref: Para 2 of the model format of the BG under Annex 1)

5. Encashment During Disputes:

Railways can encash the BG even if there is an ongoing dispute with the contractor, including cases under litigation or arbitration. The bank's obligation to pay remains absolute regardless of any such disputes. (Ref: Para 3 of the model format of the BG under Annex 1)

6. Irrevocability of BG:

A bank cannot revoke a BG during its validity period unless Railways provides written consent. This means that the BG remains irrevocable for its entire term. (Ref: Para 7 of the model format of the BG under Annex 1)

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7. RBI's Instructions to Banks:

- a) Prompt Payment: Banks must pay beneficiaries without delay when a BG is invoked. (Ref: Para 2.5.1 of the Master Circular)
- b) No Delays: Delays in honouring guarantees can damage the credibility of the BG system and the reputation of banks. This is particularly critical for government guarantees, as delays can obstruct revenue collection and create negative perceptions of the banking system. (Ref: Para 2.5.2 of the Master Circular)
- c) Top Management Involvement: The senior management of banks must ensure that there are proper mechanisms in place for prompt payment of invoked guarantees. In cases where government departments complain about delays, the bank's top management, including the CEO, must personally address these issues. (Ref: Para 2.5.4 of the Master Circular)
- d) Obligatory Payments: When a BG is invoked, banks are obligated to make the payment to the beneficiary as per the terms of the contract. (Ref: Para 2.5.5 of the Master Circular)
- e) Disciplinary Action for Delays: If payments are not made in a timely manner, the bank must hold the responsible staff accountable, potentially leading to severe disciplinary measures such as dismissal. (Ref: Para 2.5.8 (iv) of the Master Circular)
- f) Honoring BGs Under Protest: If disputes arise, banks should honor the guarantees and address the disputes separately. (Ref: Para 2.5.9 (iii) of the Master Circular)

BANK GUARANTEE

Steps to Take if a Bank Refuses a Request for BG Encashment:

It is clear from the discussion above that banks are not allowed to refuse legitimate requests for the invocation of a Bank Guarantee (BG). However, if a bank does deny such a request, the following steps can be taken:

1) Escalation to Bank Management:

According to the aforesaid RBI guidelines, the top management of banks must personally address complaints related to BG invocation. In this case, the CMD or CEO of the bank should be informed of the issue, requesting that they direct the relevant branch to process the BG encashment immediately.

2) Complaint to the Banking Ombudsman:

If no response is received within one month of submitting the complaint to the Bank, or if the bank rejects the complaint, or if Railways is unsatisfied with the response, the issue can be raised with the Banking Ombudsman of RBI. The complaint should be lodged at the Ombudsman office that has jurisdiction over the bank branch in question. The time limit to file a complaint is one year from the bank's response or, if no response is received, one year and one month from the date of the original complaint. Further details on the Banking Ombudsman Scheme are available at the following link:

<https://m.rbi.org.in/scripts/FAQView.aspx?Id=153>

3) Appeal to the Deputy Governor of RBI:

If unsatisfied with the Banking Ombudsman's decision, an appeal can be made to the concerned Deputy Governor of RBI within 30 days of receiving the decision. In some cases, an additional 30 days may be granted for filing an appeal if sufficient reasons are provided for the delay.

4) Further Legal Recourse:

Additional legal remedies available under the law can also be pursued as necessary.

Conclusion:

Since a Bank Guarantee (BG) cannot be encashed after its validity period, it is crucial to make a timely request for its invocation in case of any breach of contract by the contractor. Therefore, BGs must be closely monitored for their validity and handled with the utmost care.