



International Chamber of Commerce

The world business organization

Communications and Media Relations



New rules for demand guarantees come into effect

Paris, 1 July 2010 – Securing an array of international and domestic monetary and performance obligations, the International Chamber of Commerce's (ICC) new Uniform Rules for Demand Guarantees (URDG) enter into effect today.

Successor to *URDG 458*, the extensively updated rules, *URDG 758* will help bring financial stability to markets rocked by the global recession by setting out the liabilities and responsibilities of parties at each stage of the guarantee lifecycle. As of 1 July 2010, any reference to URDG in a demand guarantee or counter-guarantee leads to the new URDG 758 applying to the undertaking.

Adopted on 3 December 2009 by the ICC Executive Board *URDG 758* will apply to billions of US dollars in aggregate of outstanding guarantees in all sectors of trade and industry including construction, capital markets, commercial lending, corporate restructuring and structured finance.

“The new URDG are the result of an ambitious project to create a new set of rules for the 21st century that is clearer, more precise, and more comprehensive, offering the fairest balance yet between the parties' competing interests and doing so in innovative ways,” said ICC Secretary General Jean Rozwadowski. “The collective effort has produced rules that reflect a broad consensus among bankers, users and all members of the guarantee community.”

Attracting international media attention the new rules were launched at ICC headquarters in May. Many banks and businesses worldwide have already adapted their guarantee model forms to fit with the changes brought about by the new rules.

Comprising 35 articles, *URDG 758* also comes with embedded model guarantee and counter-guarantee forms and a set of optional clauses in a ready-to-use package.

The publication is currently being translated into 20 languages and an accompanying Guide containing an article-by-article commentary is also due for release this year. Both publications can be obtained from any ICC Publishing outlet or online.

The URDG have gained increasing worldwide acceptance over the years. *URDG 458* was adopted by the International Federation of Consulting Engineers in their model guarantee forms and later incorporated by the World Bank in all of its unconditional guarantee forms. The rules have also been endorsed by the United Nations Commission on International Trade Law, and national lawmakers have used them as a model for independent guarantee statutes.

The changes include innovative treatments of payment contingencies and more precise language for determining whether a presentation made under a guarantee or counter-guarantee, whether paper based or electronic, is a complying presentation. These changes are expected to curb the rate of rejection of demands and increase the certainty of the instrument.

The revision of the URDG spanned two-and-a-half years and was a cooperative effort by the ICC Commission on Banking Technique and Practice and its Commission on Commercial Law and Practice, which are made up of representatives from banks, companies and law firms worldwide.

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The revision was conducted under the stewardship of the ICC Task Force on Guarantees, a standing body of experts from 26 countries.

“The new rules are destined to become the international standard for demand guarantee practice,” said Georges Affaki, Head of Structured Finance Legal Affairs at BNP Paribas, who chaired the revision. “In the past seven months, since the adoption of the rules, seminars and workshops organised across the world have brought together hundreds of bankers, exporters, importers, regulators, judges and lawyers. They all agree that the new URDG are a significant improvement in both their scope and content. In the wake of the most severe economic crisis that has ever hit trade finance, certainty, predictability and transparency is what the world needs. The new rules, *URDG 758*, offer that.”