



International Chamber of Commerce

*The world business organization*



INTERNATIONAL CHAMBER OF COMMERCE

## Media release

### ICC announces new rules for demand guarantees

New Delhi, 4 December 2009 -- The International Chamber of Commerce (ICC) today announced a revised version of the Uniform Rules for Demand Guarantees (URDG) destined to apply to hundreds of billions of dollars of demand guarantees securing monetary and performance obligations in a wide array of international and domestic contracts.

The revised rules, the first in 18 years, were formally adopted by the ICC Executive Board at its meeting in New Delhi and will enter into force on 1 July 2010.

The URDG have gained increasing worldwide acceptance over the years. They were 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 revised URDG rules are the latest example of ICC’s leadership in writing the rules that govern some \$14 trillion of international trade,” said ICC Chairman Victor K. Fung. “Since its founding in 1919, ICC has been writing rules to facilitate cross-border trade and investment. ICC rules are globally accepted in the fields of banking, customs, marketing, advertising and trade finance.”

Comprising 35 articles, the URDG rules set out the liabilities and responsibilities of the parties at each key stage of the lifecycle of the guarantee. 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.

“This collective effort has borne fruit as it has produced rules that reflect a broad consensus among bankers, users, and all members of the guarantee community,” said ICC Secretary General Jean Rozwadowski. “It is the result of an ambitious project to create a new set of rules for the 21<sup>st</sup> 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.”

In international sales, whereas a documentary credit assures the exporter of being paid upon the presentation of complying documentation showing that shipment is made, a demand guarantee provides protection to the importer against non-performance, or late or defective performance, by the exporter.

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

It 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, BNP Paribas, who chaired the task force.

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## **About ICC**

The International Chamber of Commerce is the largest, most representative business organization in the world. Its hundreds of thousands of member companies in over 120 countries have interests spanning every sector of private enterprise.

ICC has three main activities: rules-setting, arbitration and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. These rules are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization, the G20 and the G8.

A world network of national committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.

For more information please visit: [www.iccwbo.org](http://www.iccwbo.org)