

## **PRESS RELEASE**



### **ICC announces new rules for demand guarantees**

ICC Malaysia, the national committee or chapter of the International Chamber of Commerce (ICC) in Malaysia, is pleased to announce that ICC has revised its Uniform Rules for Demand Guarantees (URDG) which will be launched at its headquarters in Paris on March 18, 2010. The revised rules, first in 18 years, were formally adopted by the ICC Executive Board in December 2009 and will enter into force on July 1, 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.



*Victor K Fung*

“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.



*Jean Rozwadowski*

“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 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.”

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 (CLP), which are made up of representatives from banks, companies and law firms worldwide. The revised URDG were adopted by vote at the Banking Commission meeting of 24 November 2009 with 96% of voting rights received from some 50 countries, including Malaysia.

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, BNP Paribas, who chaired the task force and the drafting group.

To have a better understanding on the revised rules i.e. URDG 758 – its changes and implication, ICC Malaysia will be organising a one-day seminar in Kuala Lumpur on April 28, 2010.

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## **About ICC Malaysia**

On 5 December 2003, ICC Malaysia joined the global network of ICC, the world's business organisation. ICC Malaysia was officially launched by YB Dato' Seri Rafidah Aziz, Minister of International Trade and Industry on 16 February 2004. The Federation of Malaysian Manufacturers (FMM) is the Secretariat for ICC Malaysia.

ICC Malaysia's main objective is to represent the interest of the Malaysian business community in the international trade forum. ICC Malaysia's active participation and involvement in ICC would contribute positively to the growth and development of Malaysia's global trade and investment. Being part of the ICC global network will also mean that Malaysian businessmen can benefit from linkages between members, regionally and globally from more than 140 countries.

ICC Malaysia members comprise companies, corporations involved in international trade business activities as well as chambers of commerce, industry/professional organisations including bilateral chambers representing foreign businesses in Malaysia.

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## **About ICC**

The International Chamber of Commerce was founded in 1919 with the aim to serve world business by promoting international trade and investment. ICC's authority stems from a worldwide membership of thousands of companies and associations representing every business sector.

ICC is the largest and most representative business organisation in the world with thousands of member companies in over 140 countries having interests of spanning every sector of private enterprise.

ICC is unique. Alone amongst private sector organisations, it creates the rules, standards and tools to facilitate international trade. Although voluntary, ICC rules carry the force of law when incorporated in contracts. ICC rules are adhered to in countless international transactions, thereby governing the conduct of transnational business in such areas as banking, arbitration, commercial crime, e-commerce, financial services, taxation and trade and investment. Among the best known ICC rules are INCOTERMS, the globally accepted rules for interpretation of trade terms commonly used in international contracts, and UCP 500 which are rules governing most letters of credit when specified in the credit.

Besides providing tools for everyday trade transactions, ICC also offers services that are essential to international business, such as amicable dispute resolution, expertise and international arbitration and commercial crime services.

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