

CITY OF CAPE TOWN

CONTRACT SURETIES: APPROVED POLICY (updated 17/06/2009)

1. INTRODUCTION

In terms of the City's procurement policy, financial guarantees are required on behalf of contractors to secure certain performance and advance payment obligations of the contractor. The previous list of approved financial institutions from which the City accepted such guarantees was outdated, and the underlying logic for inclusion of an institution on the list was unclear. A task team of officials was therefore formed, with representatives from the relevant Council departments, to draw up a policy in relation to contract sureties containing a revised list of acceptable sureties together with approved criteria for inclusion of a financial institution on this list. This policy has now been approved by TMT and signed off by the City Manager.

2. POLICY

- (a) Contract sureties may be accepted only from registered banks and insurance companies having one of the following ratings from the credit rating agencies indicated:
 - (i) **Banks:** a short term rating of F1 (Fitch Ratings), A1 (Global Credit Rating Co.) or Prime-1 (Moody's).
 - (ii) **Insurers:** a claims paying ability rating of A- or above from Global Credit Rating, or A3 or above from Moody's.
- (b) A 100% cash deposit with the City (interest free) may be accepted as a contract surety in lieu of a paper guarantee.
- (c) The Executive Director: Finance is authorized to add or delete, temporarily or permanently, the name of a financial institution to or from the list of approved sureties, notwithstanding the absence or presence of an acceptable credit rating, if he or she is satisfied or unsatisfied as to its credit worthiness in a particular instance.
- (d) The list of financial institutions currently accepted by the City as a contract surety shall be posted on the CityWeb and maintained by the Treasury section of the Finance Department.

3. CURRENTLY APPROVED LIST OF FINANCIAL SURETIES

The following financial institutions are currently approved for issue of contract sureties to the City:

National Banks:

ABSA Bank Ltd.
Development Bank of Southern Africa
FirstRand Bank Ltd.
Gensec Bank Ltd.
Imperial Bank Ltd.
Industrial Development Corporation of South Africa
Infrastructure Finance Corporation
Investec Bank Ltd.
Land & Agricultural Bank of SA
Mercantile Bank Ltd.
Nedbank Ltd.
Standard Bank of SA Ltd.
SA Bank of Athens

International Banks (with branches in SA):

ABN AMRO Bank n.v.
Barclays Bank plc.
Citibank n.a.
Commerzbank Aktiengesellschaft
Credit Agricole-Indosuez
Deutsche Bank AG
JP Morgan Chase Bank
Societe Generale
Standard Chartered Bank

Insurance companies:

ABSA Insurance
AIG South Africa
Auto & General
Coface s.a.
Compass Insurance Co.
Constantia Insurance Co.
Credit Guarantee Insurance Co.
Emerald Insurance Co.
Federated Employers Mutual Assurance Co.
Guardrisk Insurance Co.
Home Loan Guarantee Co.
Lion of Africa Insurance Co.
Lombard Insurance
MUA Insurance
Mutual & Federal Insurance Co.
New National Assurance Co.
Regent Insurance Co.
Zurich Insurance Co.