**Kiya.ai**

**Trade Finance NG**

**Letter of Guarantee Commission Management**

# Document Information

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# Document Revision History

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## Letter of Guarantee Commission: -

As per FSD the following points are Letter of Guarantee commission. Commission can be calculated on flat basis 100% cash basis security and if non-cash Secured margin account it will calculate on percentage basis. If Cash secured margin is partial, then We must calculate percentage uncovered and unsecured amount only. Commission will be calculated by multiplying periods if any.

Letter of Guarantee commission is calculated by three ways.

1.LG open by cash: - In this case the customer does not have any facility account at bank, and he wants to issue Letter of Guarantee at bank on amount USD 100,000/-.

2.LG open by Facility Account: - If a customer has facility accounts at bank and wants to issue Letter of guarantee at bank on amount USD 100,000/- on that time unsecured amount commission will be calculated.

3.LG Open by Partial: - If customer having facility accounts and this facility accounts is utilized 70 % and 30% unutilized. Customer wants to issue LG using 30% unutilized amount and remaining amount pay by cash.

4. **Local LG with Foreign Currency**

## Letter of Guarantee open by cash: -

If a customer does not have a facility account at that time 100% margin amount & flat charges should be applied. Flat charges should be SYP 5000/-

Suppose customer ABC wants to issue a Letter of Guarantee SYP 100,000/- on that time following vouchers will be generated. Here bank has applied flat charges SYP 5000/-

|  |  |  |  |
| --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks |
| Customer Liability | 100,000.00 | Dr | Liability |
| Beneficiary Liability | 100,000.00 | Cr | Liability |
| Customer Current Account | 5,000.00 | Dr | Charges |
| LG Commission | 5,000.00 | Cr | Charges |
| Customer Current A/C | 100,000.00 | Dr | Margin |
| LG Margin A/C | 100,000.00 | Cr | Margin |
| Postage | 2,000.00 | Cr | Postage |
| Bid Bond LG Stamp Duty | 50,000.00 | Cr | Stamp |
| Performance bond / Advance Payment LG Stamp Duty | 600.00 | Cr | 0.6% on LG Amount (100,000) |
| Tax on stamp duty for Bid Bond | 2,500.00 | Cr | Bid Bond |
| Martyr stamp | 200.00 | Cr | Martyr |
| Military Martial | 300.00 | Cr | Military Martial |
| Tax on stamp duty on Performance bond / Advance Payment | 100.00 | Cr | (5% on Performance bond / Advance Payment LG stamp duty)It will be rounded nearest upper 100 ) Currently is calculate 30 SYP |
| Rebuild commission on bid bond | 5,000.00 | Cr | Bid Bond |
| Rebuild Commission on Performance bond / Advance Payment | 100.00 | Cr | (Performance bond / Advance Payment LG stamp duty + Military Martial ) By 10 % rounded nearest upper 100) (600+300)\*10/100 |
| Customer Current Account | 60,800.00 | Dr | Current Account |

Note :- All commission will be rounded nearest upper 100 SYP.

## Letter of Guarantee open by facility accounts: -

If customer having facility account in bank, then only unsecured amount charges will be debited: -

Suppose ABC customer want to issue SYP 100,000/- LG and customer having facility accounts in bank and its facility accounts limits is SYP 100,000/-. Suppose margin 4 % in LG amount 100,000/- and margin amount is 4000/- i.e., 100,000-4,000=96,000/- unsecured amount. Commission =96,000\*0.5/100=480 Commission. Bank added per quarter, Suppose LG due date is 0ne year then commission will be 480\*4= 1920 it must be minimum 5,000/- SYP per quarter.(If commission is less than 5000 then we can take 5000 else will take actual commission)

Following vouchers are generated. Bank has open facility accounts to customers for LG issue’s purpose.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | | Remarks | |
| Customer Liability | 100,000.00 | Dr | | LG Issuance | |
| Beneficiary Liability | 100,000.00 | Cr | | LG Issuance | |
| Current A/C | 4,000.00 | Dr | | Margin (100,000.00 \* 4%) | |
| LG Margin A/C | 4,000.00 | Cr | | Margin | |
| Current Account | 480.00 | Dr | | Commission (96,000.00 \* 0.5%) | |
| LG Commission | 480.00 | Cr | | Commission | |
| Postage | 2,000.00 | | Cr | | Postage | |
| Bid Bond LG Stamp Duty | 50,000.00 | | Cr | | Stamp | |
| Performance bond / Advance Payment LG Stamp Duty | 600.00 | | Cr | | 0.6% on LG Amount (100,000) | |
| Tax on stamp duty for Bid Bond | 2,500.00 | | Cr | | Bid Bond | |
| Martyr stamp | 200.00 | | Cr | | Martyr | |
| Military Martial | 300.00 | | Cr | | Military Martial | |
| Tax on stamp duty on Performance bond / Advance Payment | 100.00 | | Cr | | (5% on Performance bond / Advance Payment LG stamp duty)It will be rounded nearest upper 100 ) Currently is calculate 30 SYP | |
| Rebuild commission on bid bond | 5,000.00 | | Cr | | Bid Bond | |
| Rebuild Commission on Performance bond / Advance Payment | 100.00 | | Cr | | (Performance bond / Advance Payment LG stamp duty + Military Martial ) By 10 % rounded nearest upper 100) (600+300)\*10/100 | |
| Customer Current Account | 60,800.00 | | Dr | | Current Account | |

## Letter of Guarantee open by partial: -

If a customer has facility accounts and this facility accounts is utilized 70 % and 30% unutilized.

Customer wants to issue LG using 30% unutilized amount and remaining amount pay by cash.

Ex: - ABC customers want to LG issues on SYP 100,000/- and customer has facility accounts at bank and this facility accounts limit is SYP 100,000/- and this limit amount utilized 70% and 30% limit amount is unutilized. Customers want to use 30% unutilized amount and the remaining amount pay by cash.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Customer | LG Amt | Facility Limit | Utilized | Un Utilized | Margin Rate | Margin amt | Rate | Commission |
| ABC | 100,000.00 | 100,000.00 | 70,000.00 | 30,000.00 | 4% | 1,200.00 | 0.5 | 144.00 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks | |
| Customer Liability | 100,000.00 | Dr | Liability | |
| Beneficiary Liability | 100,000.00 | Cr | Customer Liability | |
| Margin CA A/C | 70,000.00 | Dr | Margin | |
| LG Margin A/C | 70,000.00 | Cr | Margin | |
| Current Account | 5,000.00 | Dr | Flat Charges | |
| LG Commission | 5,000.00 | Cr | Flat Charges | |
| Margin CA A/C | 1,200.00 | Dr | Margin for using Facility (30,000.00 \* 4%) | |
| LG Margin A/C | 1,200.00 | Cr | Margin for using Facility | |
| Current Account | 5,000.00 | Dr | Charges ((30,000.00 - 1,200.00) \*0.5) Minimum 5000/- SYP per quarter. (Actual is calculate 144.00) | |
| LG Commission | 5,000.00 | Cr | Charges | |
| Postage | 2,000.00 | Cr | | Postage |
| Bid Bond LG Stamp Duty | 50,000.00 | Cr | | Stamp |
| Performance bond /Advance Payment/Advance payment LG Stamp Duty | 600.00 | Cr | | 0.6% on LG Amount (100,000) |
| Tax on stamp duty for Bid Bond | 2,500.00 | Cr | | Bid Bond |
| Martyr stamp | 200.00 | Cr | | Martyr |
| Military Martial | 300.00 | Cr | | Military Martial |
| Tax on stamp duty on Performance bond / Advance Payment | 100.00 | Cr | | (5% on Performance bond / Advance Payment LG stamp duty) It will be rounded nearest upper 100 ) Currently is calculate 30 SYP |
| Rebuild commission on bid bond | 5,000.00 | Cr | | Bid Bond |
| Rebuild Commission on Performance bond / Advance Payment | 100.00 | Cr | | (Performance bond / Advance Payment LG stamp duty + Military Martial ) By 10 % rounded nearest upper 100) (600+300)\*10/100 |
| Customer Current Account | 60,800.00 | Dr | | Current Account |

**4. Counter Local LG with Foreign Currency: -**

**1. By cash :-**

Suppose customer ABC wants to issue a Letter of Guarantee USD 100,000/- on that time following vouchers will be generated. Here bank has applied flat charges EURO 5/- For each quarter and equivalent to LG currency.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks | Currency |
| Customer Liability | 100,000.00 | Dr | Liability | USD |
| Beneficiary Liability | 100,000.00 | Cr | Liability | USD |
| Customer Current Account | 10.00 | Dr | Charges (10 EUR or its equivalent in LG Currency) | EUR |
| LG Commission | 10.00 | Cr | Charges (.50 % in each quarter then minimum should be 10 EUR) | EUR |
| Customer Current A/C | 100,000.00 | Dr | Margin (100%) | USD |
| LG Margin A/C | 100,000.00 | Cr | Margin (100%) | USD |
| Postage | 10 | Cr | Postage, these are equivalent to LG currency amount and LG currency. | EUR |
| Bid Bond LG Stamp Duty | 50,000.00 | Cr | Stamp, these Commission is flat its .( Customs exchange rate) | SYP |
| Performance bond / Advance Payment LG Stamp Duty | 600.00 | Cr | 0.6% on LG Amount (100,000) these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Tax on stamp duty for Bid Bond | 2,500.00 | Cr | Bid Bond, these are equivalent to LG currency amount. | USD |
| Martyr stamp | 200.00 | Cr | Martyr, these are equivalent to LG currency. ( Customs exchange rate) | SYP |
| Military Martial | 300.00 | Cr | Military Martial, these are equivalent to LG currency amount. | SYP |
| Tax on stamp duty on Performance bond / Advance Payment | 100.00 | Cr | (5% on Performance bond / Advance Payment LG stamp duty)It will be rounded nearest upper 100 ) Currently is calculate 30 SYP, these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Rebuild commission on bid bond | 5,000.00 | Cr | Bid Bond, these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Rebuild Commission on Performance bond / Advance Payment | 100.00 | Cr | (Performance bond / Advance Payment LG stamp duty + Military, these are equivalent to LG currency amount. Martial ) By 10 % rounded nearest upper 100) (600+300)\*10/100 | USD |
| Customer Current Account | 60,800.00 | Dr | Current Account | USD |
|  |  |  |  |  |

Note :- All commission will be rounded nearest upper 100 SYP.

**Inward Foreign Letter of Guarantee cases :-**

**1.Bid Bond**

**2.Performance**

**3.Advance Payment**

**4. Others**

1. **Bid-Bond :-**

Suppose foreign customer ABC in another country wants to issue a Letter of Guarantee USD 100,000/- in favor of beneficiary in our country, we will receive MT 760 from applicant bank (overseas bank) here called principal bank. So, it’s called counter guarantee requesting us to issue our guarantee to local beneficiary on the back of the mentioned counter guarantee. at that time vouchers will be generated.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks | Currency |
| Principal Bank Liability | 100,000.00 | Dr | Liability | USD |
| Beneficiary Liability | 100,000.00 | Cr | Liability | USD |
| Intermediary bank Account | 546.42 | Dr | It is Deferred charges (In A | USD |
| LG Commission | 500.00 | Cr | Charges (100,000\*0.5)/100 per quarter or minimum 10EUR or equivalent | USD |
| Swift Charge | 22.50 | Cr | 15EURO There are equivalent LG Currency Amount and LG Currency.( 15 Euro \*Euro Buy rate/USD Sale rate)  **15\*1.5( EURO to USD Rate)=22.5** | USD |
| Postage | 15.00 | Cr | Postage, 10EUR these are equivalent to LG currency amount and LG currency. **(10\*1.5 (EURO TO USD RATE)=15)** | USD |
| Bid Bond LG Stamp Duty | 7.69 | Cr | Stamp, these are equivalent to LG currencyamount.( Customs exchange rate)(50,000SYP/Buy customs rate  **50000 SYP ON CUSTOM'S RATE IN USD** | USD |
| Tax on stamp duty for Bid Bond | 0.38 | Cr | Bid Bond, these are equivalent to LG currency amount.( Flat Amount)  **2500 SYP ON CUSTOM'S RATE IN USD** | USD |
| Martyr stamp | 0.03 | Cr | Martyr, these are equivalent to LG currency amount.( Customs exchange rate)  **200 SYP ON CUSTOM'S RATE IN USD** | USD |
| Military Martial | 0.05 | Cr | Military Martial, these are equivalent to LG currency amount.  **300 SYP ON CUSTOM'S RATE IN USD** | USD |
| Rebuild commission on bid bond | 0.77 | Cr | Bid Bond, these are equivalent to LG currency amount.( Customs exchange rate)  **5000 SYP ON CUSTOM'S RATE IN USD** | USD |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Commission | Currency | Amount | Custom rate | Official rate | Period | Quarter | Total Comm |
| LG Amount | USD | 100,000.00 | 6500 | 12600 | 6 M | 2 |  |
| 0.5% OF LG AMOUNT | USD | 500.00**(100,000\*0.5%)** |  |  |  | 2 | 1000.00 |
| 15 Euro | USD | 22.50 **(15\*1.5 (EURO TO USD RATE)** |  |  |  |  | 22.5 |
| 10 Euro | USD | 15.00 **(10\*1.5 (EURO TO USD RATE)** |  |  |  |  | 15.00 |
| 50000 SYP ON CUSTOM'S RATE IN USD | USD | 7.69 **(50000/6500)** |  |  |  |  | 7.69 |
| 25000 SYP | USD | 0.38 **( 2500/6500)** |  |  |  |  | 0.38 |
| 200 SYP | USD | 0.03 **(200/6500)** |  |  |  |  | 0.03 |
| 300 SYP | USD | 0.05 **(300/6500)** |  |  |  |  | 0.05 |
| 5000 SYP | USD | 0.77 **(5000/6500)** |  |  |  |  | 0.77 |

**2.Performance :-**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks | Currency |
| Principal Bank Liability | 100,000.00 | Dr | Liability | USD |
| Beneficiary Liability | 100,000.00 | Cr | Liability | USD |
| Intermediary bank Account | 1227.60 | Dr | It is Deferred charges (In A | USD |
| LG Commission | 500.00 | Cr | Charges (100,000\*0.5)/100 per quarter or minimum 10EUR or equivalent | USD |
| Swift Charge | 22.5 | Cr | 15EURO There are equivalent LG Currency Amount.( 15 Euro \*Euro Buy rate/USD Sale rate) | USD |
| Postage | 15.00 | Cr | Postage, 10EUR these are equivalent to LG currency amount. | USD |
| Performance bond / Advance Payment LG Stamp Duty | 600.00 | Cr | 0.6% on LG Amount (100,000) these are equivalent to LG currency amount.( Customs exchange rate)  **6 PER 1000 IN CUSTOM'S RATE FOR USD** | USD |
| Martyr stamp | 0.03 | Cr | Martyr, these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Military Martial | 0.05 | Cr | Military Martial, these are equivalent to LG currency amount. | USD |
| Tax on stamp duty on Performance bond /  Advance Payment | 30.00 | Cr | (5% on Performance bond / Advance Payment LG stamp duty) Currently calculate 30 USD, these are equivalent is to LG currencyamount.( Customs exchange rate) | USD |
| Rebuild Commission on Performance bond / Advance Payment | 60.02 | Cr | (Performance bond / Advance Payment LG ) (stamp duty SYP + Military SYP) \* 10/100 Then rounded nearest upper 100 it is equivalent to customs exchange rate in USD | USD |

**3.Advance Payment :-**

In Advance payment is more than 1000000/- SYP or its equivalent, it can be extended on more than one time.

Each quarter bank has checked LG balance if LG amount is equal or greater than 1000000 then charges will be claim for one quarter. (Same for Permanence Guarantee) (Suppose LG validity can be between one day to 89 days on that times bank also charges one quarter.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Accounts Head | Transaction Amount | Transaction Flag | Remarks | Currency |
| Principal Bank Liability | 100,000.00 | Dr | Liability | USD |
| Beneficiary Liability | 100,000.00 | Cr | Liability | USD |
| Intermediary bank Account | 1227.10 | Dr | It is Deferred charges (In A | USD |
| LG Commission | 500.00 | Cr | Charges (100,000\*0.5)/100 per quarter or minimum 10EUR or equivalent | USD |
| Swift Charge | 22.00 | Cr | 15EURO There are equivalent LG Currency Amount.( 15 Euro \*Euro Buy rate/USD Sale rate) | USD |
| Postage | 15.00 | Cr | Postage, 10EUR these are equivalent to LG currency amount. | USD |
| Performance bond / Advance Payment LG Stamp Duty | 600.00 | Cr | 0.6% on LG Amount (100,000) these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Martyr stamp | 0.03 | Cr | Martyr, these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Military Martial | 0.05 | Cr | Military Martial, these are equivalent to LG currency amount. | USD |
| Tax on stamp duty on Performance bond /  Advance Payment | 30.00 | Cr | (5% on Performance bond / Advance Payment LG stamp duty) Currently is calculate 30 USD, these are equivalent to LG currency amount.( Customs exchange rate) | USD |
| Rebuild Commission on Performance bond / Advance Payment | 60.02 | Cr | (Performance bond / Advance Payment LG ) (stamp duty SYP + Military SYP) \* 10/100 Then rounded nearest upper 100 it is equivalent to customs exchange rate in USD | USD |

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