

# Electronic Bank Guarantees (E-BGs)

November 4, 2022

**In news**– NHAH has recently started accepting Electronic Bank Guarantees (E-BGs) and has also digitalized all its existing Bank Guarantees.

## What are Electronic Bank Guarantees (E-BGs)?

- Bank Guarantee (BG) is **a commercial instrument used as a legal contract in which a bank acts as a guarantor and undertakes an obligation to pay the beneficiary** a certain amount of money specified in the guarantee if the debtor from the original contract does not fulfill his contractual obligations.
- An e-BG is a substitute to paper-based guarantees.
- **It can be processed, stamped, verified and delivered instantly**, compared with the time-consuming paper-based process.
- Paper-based bank guarantees typically take 3-to-5 day as the process involves physical pick up from the bank, courier to the beneficiary, stamping and re-verifying.
- An e-BG eliminates physical stamping and replaces it with e-stamping.
- The applicant and beneficiary can instantly view a bank guarantee.
- An e-BG also **provides for enhanced security and reduces the possibility of fraud**.
- **HDFC Bank, in September 2022, issued the country's first e-BG** in partnership with National E-Governance Services Limited (NeSL).

## Note:

**NHAH is utilizing the E-BG services of National e-Governance Services Limited (NeSL)**, which facilitates reduction in

physical paper movement, elimination of physical storage needs and easy access for Bank Guarantee life cycle events like invocation, renewal and closure.

### **National e-Governance Services Limited (NeSL)-**

- **NeSL is India's first Information Utility** and is registered with the Insolvency and Bankruptcy Board of India (IBBI) under the aegis of the Insolvency and Bankruptcy Code, 2016 (IBC).
- The company has been set up by leading banks and public institutions and is incorporated as a union government company.
- The primary role of NeSL is to serve as a repository of legal evidence holding the information pertaining to any debt/claim, as submitted by the financial or operational creditor and verified and authenticated by the parties to the debt.

### **NeSL works towards-**

- Time-bound resolution by providing verified information to creditors and to Adjudicating Authorities that do not require further authentication.
- Default intimation to Creditors linked to a debtor when any creditor files a default against a debtor.
- Mitigation of information asymmetry between parties to a debt.
- Superior credit monitoring by creditors.
- An agreed statement of outstanding balance between parties to a debt.
- Facilitate all stakeholders of the IBC ecosystem by leveraging Information Technology to achieve objective of code.

