

Case Study 5

for the purposes of this case study, we are assuming the date is 28/11/2025

Bank Guarantees

European Heavy Plant Ltd (EHPL), 1 Heavy Street, Plant Town, Midshire a major manufacturer of heavy plant equipment has entered into a contract (Contract No. EHPL/GNML/1234) with Gambia National Machinery Ltd (GNML), 1 Dalasi Street, Luanda Town, Gambia, to supply them with EUR5Mill of heavy plant equipment over a 1 year period. The contract states that EHPL will ship the goods to GNML over the 1-year period. The equipment will be accompanied by an Invoice for payment which will be payable 30 days from invoice date. The contract states that GNML will have their bankers Ghana International Bank (GHIB) issue a simple Demand Guarantee for 100% of the contract value in favour of EHPL to cover them in the event of a default in payment by GNML. EHPL have asked that the Guarantee be issued by the 2 October 2025 and run for 1 year expiring on the 1 October 2026.

EHPL insisted in the contract that when the Guarantee is issued it should be governed by the laws of England and subject to the jurisdiction of the English courts.

GNML have requested in the contract that the guarantee will clearly state that it is not transferable or assignable.

You are a Trade Finance Expert in the Trade Finance Department of GHIB and your manager has asked you to prepare a draft of a Guarantee to send to EHPL on behalf of GNML. Based on the criteria above please draft a simple demand Guarantee that GHIB could send to EHPL