CHARACTERISTICS OF GUARANTEES

There exist numerous types of guarantees used around the world, structured for various purposes, and issued by bank and non-bank entities. In this issue, Peter Sproston offers his perspectives on the material differences between different guarantees, their phrasing, and the inherent consequences that each imply for the parties to guarantees. The starting point is to apportion guarantees into two classifications: demand guarantees and accessory guarantees. Lines can be blurred however and courts are too often called upon to evaluate the wording of an instrument and other considerations. Titles are not determinate and the text of undertakings can offer disparate indicators, contributing heavily to what Sproston calls “the potential minefield that guarantees ... can prove to be.”