



MEMORANDUM

TO: William Pleitez, Executive Director, FOMILENIO II

FROM: Fatema Z. Sumar – Deputy Vice President, EAPLA, Department of Compact Operations

DATE: October 13, 2015

SUBJECT: No Objection – Waiver – Use of Insurance Bonds

MCC hereby gives its No-Objection to the waiver request pursuant to P7.2.3 of the Program Procurement Guidelines to allow the use of demand guarantees issued by insurance companies for purposes of providing for advance payments, bid security, retention money, and performance security for small and large works, goods and related services contracts entered into by FOMILENIO II. MCC's standard bidding documents require a bank guarantee for advance payments, bid security, retention money guarantees, and performance guarantees. MCC provided a waiver under the first compact with El Salvador for the use of such guarantees, subject to certain restrictions.

This waiver for the use of demand guarantees by insurance companies is subject to the following:

- 1) FOMILENIO II may not accept demand guarantees from insurance companies on any contract with a value in excess of \$35 million.
- 2) All demand guarantees for contracts greater than \$10 million (other than bid securities) must be approved by MCC before being accepted by FOMILENIO II.
- 3) FOMILENIO II may only accept demand guarantees from banks and insurance companies with a classification of "EA" or higher, according to the national classification scheme of El Salvador.
- 4) Prior to accepting any demand guarantee from any insurance company, FOMILENIO II must develop and use clear procedures, in form and substance satisfactory to MCC, for managing the process of drafting, reviewing, accepting, monitoring and when necessary, calling on demand guarantees.
- 5) This waiver will extend for the Compact Term, and remains subject to modification in writing by MCC.

Sincerely,

Fatema Sumar
Digitally signed by Fatema Sumar
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Challenge Corporation, cn=Fatema Sumar
Date: 2015.10.13 14:49:34 -04'00'

Fatema Z. Sumar