

[CIRCULAR LETTER NO. 2018-47, September 17, 2018]

AMENDED RULES AND REGULATIONS ON THE ISSUANCE OF BONDS

Adopted: 13 September 2018

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A. UPDATED RULES AND REGULATIONS ON THE APPROVED SCHEDULE OF RATES

The following are the updated rules and regulations for bonds and the approved Schedule of Rates^[1]:

1. **Premium rates.** The figures indicated in Schedule I are percentage (%) rates per annum which shall be the basis in computing the annual rate of premium to be charged on bonds listed therein.

1.1 Rates indicated in **Schedule I** are for bonds up to P15,000.00 in amount, decreasing by 0.05% for every P5,000.00 increase in amount and subject to the graduated scale shown in Schedule II wherein bonds were grouped into five (5) Bond classifications as shown in schedule III.

2. **Bonds running for less than one year.** The annual premium on bonds that are to run for less than one year according to the covering contract, law or regulation shall not be pro-rated but shall be charged in full at the applicable rate per annum, except for promissory notes.

2.1 But if same bonds are extended by means of an endorsement for the remaining period of the year, additional premium shall no longer be charged. If said bonds are extended due to change orders or for additional works or undertakings for which additional consideration are paid to the principal, additional pro-rated premiums shall be charged.

2.2 However, if a new bond is issued for the same undertaking to replace the old bond, then the applicable rate per annum shall be charged in full.

3. **Renewals.** With respect to bond renewals or extension that are to run for more than one year, the premium to be charged shall be pro-rated for the entire duration of its extended term computed at the applicable rate per annum.

4. **Continuing Bonds.** For continuing bonds with an indefinite term, the annual premium at the applicable rate per annum shall be charged in full, and the same renewal premium shall be payable in advance for each renewal period of one year.

5. **Performance Bonds.** For Performance and Surety Bonds covering supply, delivery, installation, construction and other services which may be required to a contractor, the following premium rates shall apply:

Kind of Bond	Amount of Bond	Premium Rate
a . Perf ormance Bond		
1 . Call abl e/ Penalty	u p to P300, 000 over P300, 000	pe r sc hedule 0 . 55% m i ni mum
2 . Non-call abl e/Non- penalty	u p to P300, 000 over P300, 000	pe r sc hedule 0 . 50% m i ni mum
b . Surety Bond		
1 . Callable/ Penalty	u p to P500, 000 ove r P500, 000	pe r schedule 0 . 60% mi ni mum
2 . Non- callabl e/Non- penalty	u p to P500, 000 over P500, 000	per schedule 0 . 55% mi ni mum

5.5 **For government infrastructure projects** requiring performance security under Sections 39 and 62, of RA No. 9184, or the Government Procurement Act, the new Performance Bond (Surety Bond) form2 prescribed by this Commission for this purpose shall be used.

5.5.1 In this case, the premium rate to be applied shall be for Performance Bond. The additional one (1) year required as defects liability period, which as included in the undertaking of the said Performance Bond (Surety Bond) shall apply an additional one year premium regardless of the period of completion of the project [i.e. for projects with less than one (1) year period of completion, the applicable premium will be for one (1) year plus the one (1) year premium for the required defects liability period.

5.6 For **non-infrastructure government projects** requiring Performance Security under Sections 39 and 62, of the Government Procurement Act, the old Performance Bond (Surety Bond) form3 prescribed by this Commission for this purpose shall be used. In this case, the premium rate to be applied shall be for Performance Bond.

6. **Minimum rate.** In no case, shall the premium be less than P500.00 on any one bond.

7. **Combination of bonds.** When there is a combination of two (2) or three (3) types of bonds to be written in one or single bond, the highest rate shall apply.

8. **Secured bonds.** A reduction of 50% of the annual premium shall be allowed for bonds which are fully secured by either one or a combination of the following: