



PHILIPPINE MINING DEVELOPMENT CORPORATION

Control No:	PMDC-QP-11-00
Revision No.:	0
Effectivity:	October 31, 2016
Page No.	Page 1 of 3

Quality Procedure

Handling and Safekeeping of Bond Documents

I. Purpose

This document aims to institutionalize the policies and procedures on the handling and safekeeping of Security/Bond Documents.

II. Policy

It is the policy of PMDC to ensure that security documents, such as Bid/Performance Bond, Surety Bond, etc., are properly handled or managed to ensure protection or security for the company in case a bidder or contractor withdraws from a bid or defaults in the performance of his contracted service.

III. Scope

This procedure covers security/bond documents required in the bid processes as well as those after awarding the contract to a qualified third party.

IV. Definition of Terms

In accordance with the provisions of Republic Act 9184, its implementing rules and regulations and other applicable law, rules and regulations, Bid Bond and Performance Bond shall be defined as follows:

Bid Bond – or bid security is an amount of money that may be calculated as a percentage of the budget estimate of a procurement requirement or a percentage of a bidder’s bid price. The bid security is intended to deter bidders from withdrawing their bids, because they would otherwise forfeit the bid security amount to the client. It gives the client some assurance that the selected bidder will sign the contract or otherwise forfeit its bid security.

A performance bond is issued by a winning bidder or contractor as a guarantee against its failure to meet obligations specified in the contract. A performance bond is usually provided by a bank or an insurance company to make sure a contractor completes designated projects.

A Bid Bond or Performance Bond may be in the form of:

- 1) Cash or cashier’s/manager’s check issued by a Universal or Commercial Bank;
- 2) Bank draft/guarantee or irrevocable letter of credit issued by a Universal or Commercial Bank; provided, however, that it shall be confirmed or authenticated by a Universal or Commercial Bank, if issued by a foreign bank.
- 3) Surety bond, callable upon demand issued by a surety or insurance company duly certified by the Insurance Commission as authorized to issue such security.

PMDC UNCONTROLLED COPY

Approved by:

Jaimc T. De Veyra
Vice President, Corporate Services

Date:

OCT 24 2016

PMDC CONTROLLED COPY
10/15/2016 10/24/2016



PHILIPPINE MINING DEVELOPMENT CORPORATION

Quality Procedure

Handling and Safekeeping of Bond Documents

Control No:	PMDC-QP-11-00
Revision No.:	0
Effectivity:	October 31, 2016
Page No.	Page 2 of 3

V. Guidelines/Flowchart

a) For Non-Cash Bonds

PROCEDURE

PERSON/UNIT RESPONSIBLE

WORK INSTRUCTIONS

Receipt of Bond (*be it a Bid or Performance Bond, which may be in any of the following forms:*

- a. *Bank draft/guarantee*
- b. *Irrevocable letter of credit, or*
- c. *Surety bond*

- Bids and Awards Committee (BAC) Secretariat, for bid bonds;
- BAC Secretariat for first issuance of Performance Bond, normally upon award of contract;
- Concerned Department for renewal of Performance Bond

The BAC Secretariat or Concerned Department staff shall record the receipt of the Bond in an appropriate logbook, indicating the date and time of receipt as well as its validity period.

Review and Verification of Bond

- BAC Secretariat forwards the Bond to the Legal Department upon receipt;
- Legal Department reviews the validity of the Bond

The Legal Department shall review the correctness and validity of the bond and its conformity with the Terms of Reference. It shall also verify the issuing bond company's accreditation with the Insurance Commission.

If valid and compliant, the bond is forwarded by the Legal Department to the Finance and Accounting Department for safekeeping.

Note:
If non-compliant, the Legal Department shall advise the BAC Secretariat or Concerned Department to return to the bidder or contractor the invalid Bond, and for the latter to address the deficiencies and to re-submit a new Bond within fifteen (15) calendar days thereafter.

Upon re-submission, the BAC Secretariat or concerned department shall again forward the Bond to the Legal Department for its review.

Safekeeping and custody of the bonds

- Finance and Accounting Manager and/or any authorized FAD personnel

The FAD personnel shall keep the Bond in a secure cabinet and in a folder that is properly labelled for easy retrieval.

Monitoring of Bid or Performance Bond validity and expiry date

- BAC Secretariat for Bid Bonds;
- Concerned department for Performance Bonds

The Concerned Department shall monitor the validity of the Performance Bond within the contract period and write the contractor a letter asking it to renew the bond within thirty (30) calendar days prior to its expiration.

Approved by:

Jaime T. De Veyra

Vice President, Corporate Services

Date:

OCT 24 2016

PMDC UNCONTROLLED COPY

PMDC UNCONTROLLED COPY
10/24/2016

b) For Cash Bonds

PROCEDURE	PERSON/UNIT RESPONSIBLE	WORK INSTRUCTIONS
Receipt of Bond (<i>be it a Bid or Performance Bond, which may be in the form of Cash or Cashier's/Manager's Check</i>)	- Bids and Awards Committee (BAC) Secretariat for Bid and Performance Bonds	The BAC Secretariat shall record the receipt of the Bond on an appropriate logbook indicating the amount, date and time of receipt, as well as its validity period.
Issuance of Official Receipt	- Cash Management Officer	The Cash Management Officer shall record/post the details (<i>i.e. customer's name, amount, and accounting code</i>) in the Computerized Accounting System (CAS).
Signing and Execution of Bond Agreement (for Performance Bond only but not for Bid Bond)	-Legal Department drafts the Performance Bond Agreement	After review and approval by the Legal Department of the signed and notarized Performance Bond Agreement, the latter is forwarded to FAD for safekeeping.
Deposit of the Cash Bond in PMDC's depository bank	- FAD personnel as authorized by the FAD Manager	The FAD personnel shall deposit the cash bond in the trust liability account of PMDC's depository bank.
Monitoring of Bid or Performance Bond validity and expiry date	- BAC Secretariat for Bid Bonds; - Concerned Department for Performance Bonds	The BAC Secretariat shall initiate the return of Cash Bond by submitting a Payment Order to FAD for check preparation. For Cash Bid bond, it shall be returned within thirty (30) days after the winning bidder has signed the contract; For a Performance bond, it shall be returned after the issuance of the Certificate of Completion.

Approved by: 
Mary Ann P. Zarcilla
 OIC-Vice President, Corporate Services

Date: JUN 19 2025

PMDC
UNCONTROLLED COPY