
**Annex 7.4: Handling, Custody and Safekeeping of Financial Security
(2000-12-01)**

Guidelines applicable to the handling, custody and safekeeping of bid and contract financial security are the following:

Handling of bills of exchange

1. A bill of exchange tendered as a security deposit in connection with a bid for a contract shall be held uncashed in a secure and fireproof place until the successful bid is selected or for up to one year, whichever occurs first. (If at the end of one year the contract still has not been awarded, the contracting officer must exchange the bill of exchange for a current-dated one.) Security deposits received with Headquarters bids are sent by the Bid Receiving Unit to the Finance Sector, PWGSC, for safekeeping. The Bid Receiving Unit sends three copies of the list together with the deposits to the Finance Sector, showing opposite the name of each bidder the amount and nature of the deposit (e.g. certified cheque, bonds). The Finance Sector signs and returns two copies of the list to the Bid Receiving Unit. The Bid Receiving Unit sends one copy to the contracting officer.
2. When a bid is accepted and the bill of exchange is then required as security until completion of the contract, a contractor may request the Department to hold and not cash the bill of exchange. It should be stored by the directorate in approved security equipment (see paragraph 8 below) or, where the directorate does not have adequate facilities, it should be sent to the Financial Services Division (FSD), Financial Operations Directorate, who will arrange for storage. If the contractor makes no such request, the bill of exchange is to be forwarded to the FSD for deposit in the Consolidated Revenue Fund (CRF).
3. When a bid is rejected, or accepted and the bill of exchange submitted in connection with the bid is not required as security until completion of the contract, the bill of exchange is returned to the contractor.
4. Bills of exchange received as contract security shall be forwarded immediately to FSD for deposit in the CRF, in accordance with the Receipt and Deposit of Public Money Regulations.
5. A security deposit provided as collateral for the return of plans and specifications will be forfeited if those plans and specifications are not returned in time and in satisfactory condition. Furthermore, the contracting officer shall so inform the Manager, FSD.

Government guaranteed bonds, bills of exchange and letters of credit

6. The Finance Sector shall ensure that the receipt of bills of exchange and/or government guaranteed bonds and/or irrevocable standby letters of credit is recorded in the accounting records of the Department and that it is also appropriately recorded in the Accounts of Canada as an asset and a liability. Directorates shall promptly notify the Finance Sector of all such receipts, regardless of whether they are held by the directorate.

Safekeeping of bonds, negotiable instruments and letters of credit

7. There are three acceptable methods for the safekeeping of government bonds, negotiable instruments and letters of credit:
 - (a) custody by FSD which was established to provide a safekeeping service for securities and any other valuable assets requiring theft-proof storage; or
 - (b) storage by the directorate in approved security equipment, in accordance with Part II of the Government Contracts Regulations; or

- (c) storage by the Security Deposit Division, 350 King Edward Ave, Ottawa.
8. The adequacy of departmental security equipment can be assessed by referring to the PWGSC Security Equipment Catalogue, which lists equipment that is approved for the storage of negotiable. Industrial and Corporate Security Directorate assistance is also available on this subject.
 9. Where proper security equipment is not available, all security deposits (government guaranteed bonds, bills of exchange, irrevocable standby letters of credit) shall be forwarded to FSD for safekeeping, using a PWGSC deposit form entitled "Contractor's Security Deposit."
 10. To lessen the risk of loss, bonds should be transmitted directly to FSD from wherever the contracting authority first receives the security (e.g. if a bond is received in a regional office, it should not be routed to Headquarters, but sent directly to FSD).
 11. When transmitting bonds from the Department to FSD (or to the owner when the securities are held by directorates), registered and hypothecated bonds are to be transmitted by registered mail. Bearer bonds may be transmitted by "money packet" or bonded courier, armoured car service or a courier provided from within departmental resources.
 12. When bearer bonds are transmitted by the "money packet" system, the maximum indemnity from the Post Office is \$100 and, thus, appropriate additional insurance should be considered. (For the examination and management of risks, directorates should refer to the Treasury Board Manual entitled Materiel, Services and Risk Management.)
 13. While coupon-bearing bonds are in its custody, FSD is responsible for their security and for clipping matured coupons and remitting them as directed by the contracting authority.