
Bid Security Deposit

At the sole discretion of Department of Transportation and Infrastructure, the use of an Irrevocable Standby Letter of Credit as a bid security deposit may be allowed. Form 1, Irrevocable Standby Letter of Credit must be issued by a financial institution (ex. bank, loan company or credit union, etc.). Bid security deposits may be accepted for tenders if the contract value of work to be performed is estimated to be < \$500,000.

What is an Irrevocable Standby Letter Credit?

This form of Letter of Credit, commonly used in the banking industry, is an agreement entered into between a customer and a financial institution in which the customer (the contractor) directs the financial institution to make payments to a beneficiary (Department of Transportation and Infrastructure) named in the letter under the circumstances as set out in the document (failure of due performance of requirements under a contract.) Under the terms of the agreement the Department of Transportation and Infrastructure could demand that the financial institution make full or partial payment basically “cash in” the form of security by presenting the original Irrevocable Letter of Credit to the financial institution along with a notice certifying the contractor is in default and that the amount demanded represents the amount that the contractor is indebted to the Province.

The Process

- The Irrevocable Standby Letter of Credit (LC – Letter of Credit) will be identified in any tender documents in which a security bid in the form of a certified cheque is presently accepted.
- Only the 1st page of the document and the required signatures on the bottom of the 2nd page need to be completed by the contractor for tendering purposes. Information on the 2nd page would be entered if the department was cashing in the LC.
- The \$ amount of the LC will equal that of a certified cheque.
- The LC must be completed on Form I and issued or endorsed by a financial institution as set out in the Regulation. The completed LC would be submitted with the bidder’s tender package, as is the case with a certified cheque.
- The LC requires 2 signatures, that of the financial institution official (along with the financial institution’s stamp) and that of the customer (contractor).
- The LC must be an original document completed correctly in the required amount in order to be accepted as a security deposit.
- If the contractor is to be awarded the contract the original LC will be kept in safekeeping by DOT and will be returned to the contractor upon completion of the work. If the contractor is not the successful tenderer, the LC will be returned to the contractor prior to or at the time of award.

Completion of the contract

- When the contract is successfully performed, the original document is returned to the contractor upon completion of the work.
- OR
- If the contractor defaults on the contract, the original LC document is taken to the financial institution with a letter signed by the DTI Owners Representative identifying the contractor as in default of the contract. A cheque payable to the Minister of Finance in the amount of indebtedness will be requested.
(Note- this amount can be any amount up to and including the full amount of the LC and partial drawings are allowed.)

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Appendix A - Form 1

If you have any questions, please contact the Department of Transportation and Infrastructure Supply Chain Management branch at 453-3939.

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