

## **Vero Residential Construction Warranty Securities, Deeds and Group Trading Agreements**

Feedback has indicated that there has been some confusion over Vero's position on securities ('bank guarantees'), Deeds of Indemnity ('deeds') and the application of Group Trading Agreement ('GTA').

Vero only seeks bank guarantees where the builder's trading entity does not meet Vero's capital adequacy threshold rules.

Vero's first preference is for the entity to be adequately capitalised to enable it to trade in its own right. When a bank guarantee is requested it is normally for twice the otherwise required capital; a position designed to encourage the builder to put the value in their business so that it works for them rather than the financial institution providing the bank guarantee. Vero would, in fact, be happy to discontinue requesting bank guarantees. However, we note that, in many cases, this is the builder's preferred path - so there would be some dislocation if this stance were adopted.

In relation to general deeds, Vero has not used these since the 1 July 2002. Only project specific deeds (where a developer or other related party is involved and the project does not meet Vero requirements in its own right) are now taken.

Vero also uses a GTA that enables builders to bring related entity value to the support of the building company for eligibility purposes. This instrument is generally utilised by larger builders with complex corporate structures.

At any time you may make application to Vero to have existing bank guarantees or deeds returned. Vero will consider requests on their merits and either release the obligation or provide reasons why it is still required and for how long, i.e. when the next request should be made for release consideration.