



कार्यालय रक्षा लेखा महानियंत्रक  
Controller General of Defence Accounts  
उलान बटार रोड़, पालम, दिल्ली छावनी-110010  
Ulan Batar Road, Palam, Delhi Cantt – 110010  
(IFA Wing)



IFA/120/PBG/1/2020

Dated 19.01.2021

**Circular No. 04 of 2021**

To

All PCsDA/PCA (FYs)/PIFAs/CsDA/CFAs(FYs)/IFAs  
(Through CGDA Website/SIFA)

Sub: Clarification w.r.t. Performance Security.

Ref: HQrs IFA Wing Circular No. 01 of 2021 dated 04.01.2021.

In continuation of HQrs Circular cited under reference, a copy of Ministry of Defence (Finance) letter No. 231(14)/2016/Bud-II(Pt) dated 5<sup>th</sup> January 2021 on above subject is forwarded herewith for kind information, guidance and necessary action please.

This issues with the approval of Jt.CGDA (Finance).

Encl: As above.

(Richa Gupta)  
Dy.CGDA (Fin)

No.231(14)/2016/Bud-II(Pt)  
MINISTRY OF DEFENCE (FINANCE)

Dated: 5th January, 2021

**Subject: Clarification w.r.t. Performance Security.**

Ministry of Finance, DoE, vide OM No.F.9/4/2020-PPD dated 12<sup>th</sup> November 2020 has decided to reduce the Performance Security from existing 5-10% as per Rule 171 of GFRs.2017 to 3% of the value of the contract for all existing contracts, except those under dispute, etc., till 31-12-2021. An issue has arisen as to whether reduction in the percentage of Performance Guarantee notified vide aforesaid MoF OM is applicable for Warranty Bank Guarantee also.

2. The matter has been examined in MoD(Finance). As per Rule 171(ii) of GFRs 2017 :

“Performance Security should remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.”

3. It is observed from Rule 171(ii) of GFRs 2017(reproduced above in para 2) that Performance Security covers all contractual obligations of the supplier including warranty obligations. For this reason, reduction in Performance Security should also include reduction in Warranty Guarantee. Hence, it is clarified that reduced amount of the Performance Security covers both the Performance Security and Warranty Guarantee, as the standard stipulation of 5-10% also covers both the elements.


4. It is emphasized that all stipulations made in the Ministry of Finance OM dated 12<sup>th</sup> November, 2020 may be strictly complied with, including the stipulations made in Para 6 of Ministry of Finance ibid OM as reproduced below :

“Wherever, there is compelling circumstances to ask for Performance Security in excess of three percent as stipulated above, the same should be done only with the approval of the next higher authority to the authority competent to finalise the particular tender, or the Secretary of the

Ministry/Department, whichever is lower. Specific reasons justifying the exception shall be recorded."

5. Simultaneously, a reference has also been made to Ministry of Finance seeking clarification whether the decision to reduce the amount of Performance Security applies only to Indian Vendors or to Foreign Vendors as well. Decision in this regard will be conveyed subsequently.

6. This issues with the approval of FA(DS) Incharge and Defence Secretary.

  
(Sudershan Mendiratta)  
Director Fin(Q/Mod)  
Tele: 23016327

To

1. All the Secretaries of the Departments under MoD
2. All Additional Secretaries in MoD
3. VCOAS, VCAS, VCNS, CISC
4. DG(Acquisition)
5. All Joint Secretaries and Additional FA and JSs in MoD
6. All FMs
7. DGAFMS/ADG(E&S)
- ✓ 8. O/o CGDA

Copy for information to:

1. S.O. to Def Secy
2. PPS to FA(DS) Incharge.