

# Township of Brock Corporate Policy



---

**Policy Name:** Letters of Credit Policy

**Policy Type:** Finance

**Policy Number:** F22

**Reference:**

**Date Approved:** February 24, 2025

**Date Revised:**

**Approval By:** Council

**Point of Contact:** Director of Development Services and/or Director of Finance

---

## 1. Policy Statement

- 1.01 The Township of Brock requires Letters of Credit to be submitted as security for Township works required under a Development Agreement. This includes Site Plan Agreements, Subdivision Agreements, Pre-servicing Agreements and Earthworks Agreements.
- 1.02 Banks submitting Letters of Credit for acceptance by the Township of Brock must meet the credit rating criteria and submit the Letter of Credit in a form and content that matches the Township's Standard Letter of Credit format.

## 2. Definitions

- 2.01 Letter of Credit:  
A document issued by a financial institution on behalf of their client to guarantee payment to the beneficiary (the Township). This security can be drawn against should the client fail to meet their obligations under an agreement.
- 2.02 Irrevocable:  
A Letter of Credit cannot be revoked or amended without the agreement of both the beneficiary (the Township) and the issuing financial institution.
- 2.03 Automatic Renewal:  
A condition that states the Letter of Credit shall be automatically extended without formal amendment for a specified period of time beyond the stated expiry date. Written notification must be received by the beneficiary (the Township) prior to the expiration if automatic renewal is to be terminated.

- 2.04 Unconditional:  
The Letter of Credit is payable upon demand to the beneficiary (the Township) without further documentary evidence of obligation, without enquiry by the issuing financial institution as to the beneficiary's right to make the demand, and without recognizing any claim of their client.

### 3. Policy

- 3.01 Letters of Credit submitted to the Township must adhere to the standard format requirements detailed in Appendix "A".

3.02 Credit Rating Criteria:

Letters of Credit will be accepted from the following Canadian Banks:

- Schedule I Banks
  - Bank of Montreal
  - Bank of Nova Scotia
  - Canadian Imperial Bank of Commerce
  - National Bank of Canada
  - Royal Bank of Canada
  - TD Canada Trust
- Other Schedule I Banks and Schedule II Banks
  - Must have a DBRS Morningstar credit rating of R-1 (Mid) or higher, or an equivalent rating by the rating agencies Fitch Ratings, Moody's Investor Services or S&P Global Ratings.
  - Subject to approval by the Director of Finance/ Treasurer
  - The bank must maintain the minimum credit rating throughout the period of time the Letter of Credit is held by the Township. Should the bank's rating fall below the minimum level, the developer will be required, at their expense, to replace the Letter of Credit with one that meets the minimum rating.
  - Should the Letter of Credit not be replaced within the time frame specified by the Township, the Township may at their discretion draw down the existing Letter of Credit.
  - Trust Companies and Credit Unions  
Letters of Credit will not be accepted from Trust Companies or Credit Unions.

- 3.03 Letters of Guarantee, Guaranteed Investment Certificates, Term Deposits, or any form of non-cash security will not be accepted in place of a Letter of Credit.

This document is available in alternate formats upon request.  
Please contact the Clerk's Department at 705-432-2355 or [clerks@brock.ca](mailto:clerks@brock.ca)

- 3.04 A Financial Administration fee will be charged for the exchange of a Letter of Credit with another form of security, such as a Surety Bond.
- 3.05 Letters of Credit may be required for other types of agreements at the discretion of the Director of Development Services and the Director of Finance.

#### **4. Roles and Responsibilities**

- 4.01 The Development Services Department, with the assistance of the Finance Department, is responsible for ensuring that Letters of Credit submitted meet the requirements of this policy.
- 4.02 The Development Services Department, with the assistance of the Finance Department, is also responsible for processing all Letters of Credit draws, reductions, replacements and returns.
- 4.03 The Finance Department is responsible for the physical security and manual tracking of the Letters of Credit documents while in the custody of the Township. They will take direction from the Director of Development Services for any draws, reductions, replacements or returns.
- 4.04 The Director of Finance / Treasurer is responsible for approving any Letters of Credit submitted under section 3.02 of this policy.



**1. LETTER OF CREDIT WILL BE ACCEPTED IN THIS FORM ONLY**

Date

The Treasurer,  
The Corporation of the Township of Brock  
1 Cameron Street, East, PO Box 10  
Cannington, Ontario L0E 1E0

**IRREVOCABLE STANDBY LETTER OF CREDIT**

We hereby authorize you to draw on (bank) for account of (customer) up to an aggregate amount of (dollar value) available on demand as follows:

Pursuant to the request of our customers, (name) we, (bank) hereby establish and give you an irrevocable letter of credit in your favour in the total amount of (dollar value) which may be drawn on by you at any time and from time to time upon written demand for payment made upon us by you which demand we shall honour without enquiring whether you have a right as between yourself and our said customers to make such demand and without recognizing any claim of our said customers.

Provided, however, that you are to deliver to (bank) at such time as a written demand for payment is made upon us a certificate signed by you agreeing and/or confirming that monies drawn pursuant to this letter of credit are being drawn because of the obligations of our customers, incurred or to be incurred with reference to an Agreement dated (date) between (customer) and The Township of Brock.

The amount of this letter of credit shall be reduced from time to time as advised by notice in writing given to us from time to time by you.

This letter of credit will continue up to (one year from date of issue) and will expire on that date and you may call for payment of the full amount outstanding under this letter of credit at any time prior to that date should this letter of credit not be renewed. It is a condition of this letter of credit that it shall be deemed to be automatically extended without amendment for one (1) year from the present or any future expiration date hereof, unless thirty (30) days prior to any such date we shall notify you in writing by registered mail that we elect not to consider this letter of credit renewed for any such additional period. Any and all renewals to this letter of credit shall be for a period of not less than one year and without amendment to the original terms of this letter of credit.

Partial drawings are permitted.

We hereby covenant with drawers, endorsers, and bona fide holders of drafts drawn under and in accordance with the terms of this letter of credit that such drafts will be honoured if drawn and negotiated on or before (one year from date of issue) or any automatically extended date as hereinbefore set out.

DATED at        this        day of        , 20XX.

Name/signing capacity \_\_\_\_\_