



Checklist

Industry Requirements for E-Bonding Solutions

Based on Surety Association of Canada Vendor Guidelines

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Mobile Bonds, Inc.
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The Surety Association of Canada provides this checklist as a service only, as guidance to e-bonding providers and users. The Surety Association of Canada accepts no liability that may result from its Guidelines or from partially and fully completed Checklists.

Comments and Observations:

Following are the Surety Association of Canada's comments and observations following a demo of the Mobile Bonds production site. Our perspective is intended to: provide helpful assistance for any party choosing to use the service; complement one's own assessment; and is limited to a comparison to the surety industry requirements developed in 2008 in anticipation of technology developments.

- Mobile Bonds is an independent third party service provider geared to accommodate and respond to the need of a principal or their surety provider to deliver an electronic bond that can be verified, without the need for technology investment by any party of the bond.
- The workflow of the technology mimics a close comparison to the current workflows used in the current paper bond environment.
- Notably, key features include the instant verification process to compare the delivered version of the bond to the version executed; and the instant availability of an audit report of the bond execution details for the obligee.
- Notably, a key cautionary concern is directed to surety companies and principals. The first individual registering with Mobile Bonds on behalf of the surety company automatically receives 'admin' status. This 'admin role' provides the ability to enable authorizations to approve and execute bonds. The same logic applies to a principal organization. We recommend a surety company and principal organization incorporate business rules to assign and monitor the 'admin' role activities as part of their internal operational risk management program.
- The service is geared to principals, surety brokers and surety companies and any one of these parties may initiate use of the service by inviting the others and setting up a required partnership. All partners in any given bond transaction (broker, surety company, principal) must either accept an invitation to participate or already exist as a partnership within this service in order for an ebonding transaction to occur.
- There seems to be two primary high level functions following the establishment of a transaction partnership: firstly, a service to facilitate the bond application and approval process; and secondly, a service to develop and execute a verifiable electronic bond, ready for download.
- SAC recommends the partners of the bond transaction retain a copy of the bond for their own files.
- Although evidence of assurance of authority and intent and identification are provided, SAC recommends that owners still conduct a comparison to match the company name on the seal of the bond to the company name issuing the bond.

Overall, the service appears to offer an innovative, readily available solution, not just for bid bonds, but also for other types of surety instruments.

1. Developing the Bond:

M	HR	R	Requirement:	Intent of Requirement:	Meets	Meets in part	Does not meet
*			a) Assurance of clarity.	Is the format used to identify dollars or time frames clear and unquestionable as to their intended values? Has consideration been given to removing simple and obvious opportunities that enable an ease of fraudulence activity, such as a '3' being changed to an '8'. Has consideration been given to obvious clarities, such as 'Canadian' dollars versus 'U.S. dollars'?	✓		
		*	b) Assurance of language options.	Has the consideration been given to language options (French and English) for the development of the bond and/or for the instructions of the technology?		✓	
		*	c) Convenience to use bond templates.	Can bond templates be loaded into the application? If a change to a template has been made, can the change be easily identified and reviewed?		✓	
*			d) Assurance of ability to change.	Can the bond be easily altered and changed to correct and adjust language prior to signature application?	✓		
*			e) Assurance of integrity of content.	Can the bond be protected from modifications if required prior to signature?	✓		
	*		f) Process to incorporate legal offer of bond.	Does the process workflow demonstrate the legal offer of surety to the principal? (E.g. by ensuring the surety is the first party to sign and seal the bond).	✓		

Notes:

1a) Fields are completed in relation to a particular bond form template. Clarity is dependent on the template uploaded and on the user completing the data fields.

1b) A bond form in the French language can be uploaded and completed; the service itself and relating instructions are not available in French.

1c) Bond templates can be used and may be uploaded by any registered user. Access to templates can be restricted to particular registered users. If a user wants to make a change to a template already uploaded, they must create a new template (outside of this service) and then upload a revised template into the service. Although the change made is not readily apparent, the revised template is automatically assigned a new version title by Mobile Bonds. Therefore, it is possible and convenient to use new and/or revised templates; a revision to a template is not highlighted by the technology; although a comment could be placed in the notes section.

1d) A revised bond template with the required change can be uploaded.

1e) The content can be locked prior to the application for the signature to be affixed.

1. Developing the Bond (continued):

M	HR	R	Requirement:	Intent of Requirement:	Meets	Meets in part	Does not meet
	*		g) Ability to add Rider to Bond.	Can a Rider be developed in the same manner the bond was developed? (For example, if the bond was developed on-line, can a rider also be developed on-line?). Is there a reference connector to attach the rider to the bond?	✓		
	*		h) Ability to add a Co-Surety.	When two sureties are involved in the bond transaction, will requirements be met for both sureties re signature, sealing, retrieving, etc.? Is it noted which surety has the administration power to develop the bond on-line?	✓		
	*		i) Ability to develop bonds for Canadian clients doing business in U.S.	Will Canadian sureties (brokers) have the ability to demonstrate authorization authority, such as the opportunity to load attachments, such as powers of attorney, to meet U.S. bond needs? Can reference be made to a resident surety agent re contact information?	✓		

Comments:

1g) A rider can be easily developed in the same manner and is considered a separate transaction. A reference connection can be inserted in a comment field by the user. As well, a rider can be developed at the same time the bond transaction is conducted.

1h) The second surety can be invited into the bond partnership and can participate in the execution of the signing and sealing of the bond. There is no indicator to note which surety is the lead surety; although this information can easily be placed in the notes section.

1i) A POA can be uploaded at the bond transaction level if required. As well a POA Number field is available for insertion of data.

2. Signing the Bond:

M	HR	R	Requirement:	Intent of Requirement:	Sureties			Principal		
					Meets	Meets in part	Does not meet	Meets	Meets in part	Does not meet
*			a) Assurance that the signature represents an actual person.	Is it discernable as to 'who' signed the bond, i.e. first and last name?	✓			✓		
*			b) Assurance that the signature belongs to that actual person.	Does the signature belong to the person providing the electronic signature? Are checks and balances in place to prove the signature does belong to the individual identified as the signatory?	✓			✓		
*			c) Assurance of intent.	Are there password protections and other checks and balances in place to prove the individual providing the signature on the bond did in fact intend to sign the bond?	✓			✓		
*			d) Assurance of authority of the signatory.	Are there checks and balances in place to verify the authority of the individual to commit the surety or principal, i.e. evidence of power of authority agreements, or on-line poa applications, if required?	✓			✓		
	*		e) Accommodation of business practices surrounding authority.	Is it convenient for sureties or principals to continue with business rules requiring two authorized signatories, should they require it?			✓			✓
*			f) Assurance of integrity of content.	Can the bond be protected from any modification or fraudulent change once the bond has been signed by a party and before the party affixes their seal?	✓			✓		

Comments:

2a) The signers name also appears in typed format on the bond as well as in the audit report. A full audit report is easily, readily and instantaneously accessible by clicking on the bond signatures or seals.

2b) Checks and balances include (strengths):

- Any user must first pass a manual verification process by Mobile Bonds, once they pass they are 'approved' (Refer to Mobile Bonds Policy for New Registrants)
- A user must be invited into the bond transaction partnership to participate;

- A single password must be used by any user to log into the service;
- Authorization to sign must be granted by the surety admin user role; or by the principal admin role.
- The name associated to the password is identified in the audit report.
- Potentially, an audit check to the payment of the fee transaction could further link the approver to the transaction.

Please note, however, the verification of user is dependent on the manual services of the company Mobile Bonds; loss or theft of a user's password could enable someone else with the ability to fraudulently sign and seal bond; and a large dependency relies on the Surety Company to manage its 'administrative authority', and/or the principal organization to manage its 'administrative authority'.

2c) Applying the signature is representative of the intent to sign the bond (Signature and Seal are two steps).
Note however: Lack of intent is possible if password security is breached and abused.

2d) Assurance of a user's authority is dependent on the surety admin role, which is the only role that can enable electronic authorization privileges to a surety broker. POA's may be uploaded and attached if/as required. (The checks & balance for the principal's authority is dependent on the principal admin role being assigned and monitored to their own operational policies).

2e) Two authorizers/signers may be invited to the transaction; but only one may actually apply their signature.

2f) Once the document is prepared and ready for signature, it becomes locked. The verification process provides confirmation whether any modifications were made and also demonstrates the version seen by the signer at the time of applying their signature. The user with authorization to sign is the same user with authorization to seal a bond.

3. Sealing the Bond:

M	HR	R	Requirement:	Intent of Requirement:	Sureties			Principal		
					Meets	Meets in part	Does not meet	Meets	Meets in part	Does not meet
*			a) Assurance of corporate seal (an identifiable corporate commitment). Note: Not required for bonds falling under legislation of the province of Quebec.	Is the application of corporate seals a separate application from the signatory application? Does the corporate seal of the surety and principal appear in some visual form on the electronic form of bond?	✓			✓		
*			b) Assurance of corporate seal ownership.	Are there checks and balances to prove this visual assurance of corporate seal is provided by the surety (or principal) and/or its parent and/or a subsidiary? For example, does the individual authorizing the sealing application have authorization to do so on behalf of the organization?	✓			✓		
*			c) Assurance of intent.	Are there checks and balances in place to prove the surety was unmistakable in their intent to apply their corporate commitment indicator? Is there an unequivocal and recorded act showing that the surety intended to seal the bond? For example, "by clicking yes, you are sealing this bond".	✓			✓		
*			d) Assurance of integrity.	Can the bond be protected from any modification or fraudulent change once the bond has been signed and sealed?	✓			✓		
*			e) Assurance of verification.	Can the authenticity of the signed and sealed bond be confirmed or verified?	✓			✓		

Comments:

3a) Application of a seal on any given bond transaction is a separate process step from the signature process; although it is always deemed to be the same user to conduct both steps. The seal is visual.

3b) The sole dependency to provide authorization regarding who is granted the ability to electronically seal bonds for a particular organization is provided by the surety admin role (or principal admin role). Once an individual receives authorization, they may upload a seal. There is an audit report that identifies that authorization has been provided, although this is currently available as a print screen report. SAC recommends that decision makers within organizations either become a partner in all bond partnerships or take the initiative to regularly review the activities of the admin role.

Note: It is possible for an individual approved to seal on behalf of a company to upload in error a seal for another company the individual holds power of attorney. (This is also possible in the traditional paper environment). SAC recommends that owners still conduct a comparison to match the company name on the seal of the bond to the company name issuing the bond.

3c) A separate action exists to seal a bond. If required, it is possible for a separate individual to seal the bond from the individual who signed the bond.

3d) The security to prevent a change is limited to pdf file technology. The verification process will provide assurances whether the bond was actually modified between the time of execution by the surety and the receipt by the end-user.

3e) The verification process provides confirmation whether any modifications were made and also demonstrates the version seen by the signer at the time of applying their signature.

4. Delivery of the Bond:

M	HR	R	Requirement:	Intent of Requirement:	Meets	Meets in part	Does not meet
	*		a) Assurance of connecting reference.	Will the delivered bond be assuredly connected to the rest of the tender package if required? Is there a possibility for a tender to be rejected due to a bond thought to be missing, but rather the bond could have been delivered via a different electronic avenue? Will the connecting reference create an operational inconvenience to the entity opening tenders?	NA		
*			b) Assurance of receipt.	Is there confirmation of receipt once the bond has been delivered electronically?	NA		
*			c) Assurance of encryption security.	Is the bond protected from fraudulent changes during the delivery process? For example, if web enabled, is an encrypted site used and can the site be verified (i.e. Hhttps:)? If transmitting a bond with digital signatures, is a secure messaging technology being used? (i.e. 128 bit encryption).	NA		
*			d) Authenticity warning.	Is there a signal to advise the parties of the bond if a bond does become fraudulently modified?	✓		
	*		e) Verification acceptance.	Is the verification process completed by a third party who is able to prove the original bond? Or, is the owner prepared to accept the provided verification mechanism?	✓		
*			f) Assurance of responsibility.	Does the application enable the principal to maintain control of and assume ultimate responsibility for delivery of the final signed, sealed bond to the obligee?	✓		

Comments:

4 a,b,c) This service does not deliver the bond, therefore, these items are dependent on the principal's chosen method to deliver the bond.

4d) This happens upon a verification request the verification process signals whether any changes have been made.

4e) Verification completed by Mobile Bonds.

5. Retrieval of Final Bond:

M	HR	R	Requirement:	Intent of Requirement:	Meets	Meets in part	Does not meet
*			a) Assurance of the existence of bond.	Does it clearly establish which version would be treated as the 'true original' bond?	✓		
	*		b) Assurance to locate.	Does it clearly determine where this 'true original' version is stored? Is there reference to the verification process?	✓		
*			c) Assurance of integrity of content.	Is it possible for the bond to have a printable adjustment made to the content, with or without saving the adjustment? (Answer should be no, however this cannot be guaranteed 100%). Has protection been taken to ensure the bond cannot be printable with an adjustment made after the surety has approved it?	✓		
*			d) Assurance of verification.	Does a verification process exist to support the bond throughout the entire retention period?	✓		
	*		e) Assurance of accessibility.	Can the bond can be stored and retrieved freely by all authorized parties?	✓		
*			f) Assurance of retention commitment.	Is the bond stored in a secure environment? Is there a commitment with regard to the length of time the bond will be stored? Does it clearly establish what the terms and commitments are for electronic retention/storage of the bond?	✓		

Comments:

5a) The watermark 'copy' is printed across any bond other than the first one issued.

5b) The responsibility for storage is by the owner.

5c) The verification process will determine if this has happened – recommend the owner regularly conduct the verification process.

5d) Retention commitment goes beyond length of validity and suit limitation for bond period, and as any verification process, is available as long as the service provider remains in business.

5e) Copies can be obtained by any registered user of that bond transaction.

5f) Retention policy is posted within the terms and conditions for registered users.

6. Overall:

M	HR	R	Requirement:	Intent of Requirement:	Meets	Meets in part	Does not meet
*			a) Assurance that all existing legal relationships are maintained.	Does the technology override any of the responsibilities that a party to a bond holds? (Answer should be no).	✓		
*			b) Assurance that audit trails are in place.	Are clear, easy to track, and reliable audit trails in place?	✓		
	*		c) Convenience to use with other systems and processes.	Is it easy to integrate with other systems that may be necessary to complete the e-bonding process? Are accord standards being used?	✓		
	*		d) Assurance of authority of the surety.	Are there checks, balances and/or attempts in place to disallow unlicensed or fraudulent sureties or principals access to the application?	✓		
*			e) Assurance to allow third party audit requests.	Will the service provider allow requests for third party audits, particularly to verify and assess the secure protection and integrity of the bond? How user friendly is the technology to conduct such an assessment?	✓		
	*		f) Overall efficiency and ease of use.	Is the new process easy to use? Easy to access? Is it easy to obtain help during transaction?	✓		

Comments:

6c) Once a bond template is uploaded, no other technology is necessary in order for the electronic bond transaction to be approved, signed and sealed.

6d) The first dependency is upon an existing registered user inviting a partner into the surety-broker-principal transaction and the second dependency is upon Mobile Bonds business rules to approve registered users for the service. Mobile Bonds has advised they do not intend to make the service available for unlicensed surety companies.

6e) Any user within the bond transaction may access the audit report for that bond transaction. Audit reports are accessible immediately with web access by clicking on any of the signatures or seals on the bond.

f) It is easy to access this service, no barriers providing all parties to the bond are accepting of the service. Notification workflows may be enabled by the users, incorporates logic to simulate current paper bond work flow and relationships. Once hierarchy of roles, the admin responsibilities and the partnership connections are in place and managed by each organization, the bond application process and the electronic bond creation and execution process seems to be quite user friendly.

E-Bonding Checklist – Quick Reference Chart

	Develop	Sign	Seal	Deliver	Retrieve	Overall
Mandatory	<p>Assurance of clarity.</p> <p>Assurance of ability to change.</p> <p>Assurance of integrity.</p>	<p>Assurance that the signature represents an actual person.</p> <p>Assurance that the signature belongs to that actual person.</p> <p>Assurance of intent.</p> <p>Assurance of authority of the signatory.</p> <p>Assurance of integrity.</p>	<p>Assurance of corporate seal.</p> <p>Assurance of corporate seal ownership.</p> <p>Assurance of intent.</p> <p>Assurance of integrity.</p> <p>Assurance of verification.</p>	<p>Assurance of receipt.</p> <p>Assurance of encryption security.</p> <p>Authenticity warning.</p> <p>Assurance of responsibility.</p>	<p>Assurance of the existence.</p> <p>Assurance of integrity.</p> <p>Assurance of verification.</p> <p>Assurance of retention commitment.</p>	<p>Assurance that all legal relationships are maintained.</p> <p>Assurance that audit trails are in place.</p> <p>Assurance to allow third party audit requests.</p>
Highly Recommended	<p>Process to incorporate legal offer of bond.</p> <p>Ability to add rider to bond.</p> <p>Ability to add a co-surety.</p> <p>Ability to develop bonds for Canadian clients doing business in U.S.</p>	<p>Accommodation of business practices surrounding authority.</p>		<p>Assurance of connecting reference.</p> <p>Verification acceptance.</p>	<p>Assurance to locate.</p> <p>Assurance of accessibility.</p>	<p>Convenience to use with other systems and processes.</p> <p>Assurance of authority of the surety.</p> <p>Overall efficiency and use.</p>
Recommended	<p>Assurance of language options.</p> <p>Convenience to use bond templates.</p>					

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