

Retention Instrument | advantages and disadvantages

Advantages	
Retention Instrument	on trust
Frees up assets. Specific assets do not have to be held separately on the head contractor's balance sheet.	Could be easy to comply with "on trust".
Is not an "on demand" instrument. There is a process around the claim by the sub-contractor for the instrument to be paid.	
Does not require significant cost be incurred in establishing a trust regime and the ongoing cost.	
Can easily show compliance with the CCA by providing a certificate from an independent 3rd party (insurer).	
Other retentions that are being held (sub-contractors and amounts) or other commercially sensitive information does not have to be disclosed.	
Allows you to invest the capital freed up to the advantage of the business.	

Disadvantages	
Retention Instrument	on trust
Cost.	There are different interpretations with regards to what "on trust" actually means and how to comply with it.
	Potentially ties up assets within the business.
	Can be difficult for the head contractor to demonstrate compliance with the CCA and that the funds are actually being held "on trust".
	If retentions are being held "on trust" in a bank account, it could be hard to satisfy to the sub-contractors that there are sufficient liquid assets being held to cover all retentions – without disclosing all retentions (sub-contractors and retention amount) and other commercial information.