

# **THE MACROBANK**

Electronic Version

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## Prologue

The purpose of this course is that, in a simple way, any person without a great knowledge of finance understands how money is generated in the secondary market through banking, collateralization and monetization of financial assets, movable or immovable.

Any entrepreneur who knows the operation of the secondary market can with the financial instruments, project its own financial leverage for the CASH FLOW generation that your company may need, whether to grow or expand or to create a new business or humanitarian project that is economically viable.

For financial advisors, lawyers and economists who are in charge of business consulting, it is vitally important that you know this world of Macrobank and the possibilities that they can have to help their clients, especially in difficult times of economic cycles in which credit flows drastically decrease in traditional channels. Through the application of this knowledge, until now reserved for a very few, will be able to verify that there are solutions of financing beyond the traditional banking, being able to create with a small financial leverage its own collaterals and to bank them, to about them emit the Banking Swift Mt 760 and through the trading of money generate for the real economy the resources they need.

Dear reader, it has taken me a long time to tell me to publish this course. And

Many years, sometimes plagued with disasters, to obtain all the knowledge of which this book deals. Incredible as it may seem this knowledge is reserved for an elite and it is very usual that even bank employees with a certain level know absolutely nothing about it. Not to mention university teaching in which no subject is mentioned in this subject knowledge.

There is also a lot of black legend generated, in my opinion, by two fundamental factors. First of all because of the ignorance that I referred to earlier. And secondly by the bad experiences of businessmen or professionals who in good faith have been deceived or have not come to fruition in these practices. This is the reason why I publish this course. And I do it with the certainty that it will be a useful tool for many people, which fills me with joy and justifies my decision to make this publication.

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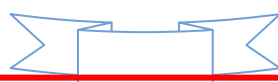
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## Chapter 1

### FINANCIAL INSTRUMENTS AND THE SECONDARY MARKET

#### **FINANCIAL INSTRUMENTS.**

**DEFINITION:** Financial Instruments are Financial Assets that are classified within the stock market and their main quality is that their quoted value is based on the price of another asset. They can also be called Derivatives.

In the market there may be several types of financial assets depending on the index

The initial value from which they derive, and these can be Public Debt Bonds (with Treasury Bills of Brazil renegotiated), Historical bonds of Mexico (Duly accepted and recognized by the Department of the Treasury of the country), Chinese bonds (Duly accepted and recognized by the Department of the Treasury of the country), Private Debt Bonds, shares, fixed income, equities, stock indexes, macroeconomic indexes such as the Euribor or interest rates, etc.

Financial instruments or financial derivatives are interesting products that are as familiar to us as other instruments. Some of its characteristics can be:

- They are usually listed on the stock markets, although they may not.
- The price of the derivative assets always varies with respect to the so-called "Underlying Asset", which is the value to which said derivative is linked.
- It can also be referred to non-financial or economic products such as raw materials. For example: Wheat, Rice, Metals (gold, nickel, copper), etc.
- Usually the investment to be made is very low compared to a share or a part of the underlying value for which you want to invest.
- Financial derivatives must meet a condition and it is always settled in the future.

In Spain the derivatives are regulated by two governing bodies, mainly MEEF variable income in Madrid and MEEF fixed income in Barcelona. These agencies regulate and manage all purchases and sales on a daily basis through a clearing house of their own that executes settlements between all operations.

These types of financial assets are often interesting because they allow us to play with the future value of the underlying assets without making a large outlay, although their speculative nature is very large because we can not only make normal use of buying and selling Shares, but we can also trade with the rights to buy and sell the assets with the same initial capital playing with the second option rights. So we can get many more benefits.

Within the financial derivatives we can mention two types:

## **FUTURES AND OPTIONS.**

**FUTURES:** You do not have to pay anything at the time of hiring, but if you have to have a guarantee before payment. The main quality of this type of derivative is that we acquire a payment obligation on the future acquired. The risk is great, but the potential benefits also.

Futures as a financial product is a commitment to buy or sell a Amount preset to the price of financial assets.

For example: I am committed to a person or client that within 3 months I will sell 2000 shares of, say, the company Endesa to € 15, which are currently € 16.80 each. So I would not be interested in selling them now. But it is possible that within 3 months said action is at € 14. I do not sell them now but I will wait to be able to have a profit margin of 1 euro in the operation.

Within the futures market everything is traded with three underlying assets or base:

Currencies (at a predetermined exchange rate).

Interest Rates (lending to that type).

Commodities (cereals, precious metals, etc.).

## **FUTURE OPERATIONS MORE COMMON**

**Exchange insurance:** consists of hiring today a price and a delivery time within a specified time frame, with quantity and exchange rate not closed but limited to two currencies. Depending on the evolution of the market, the buyer or seller will benefit.

**Participatory exchange insurance:** it is like exchange insurance but with a firm agreement regarding the concrete time, amount and exchange rate.

**The Forward Rate Agreement:** a Fra, (as it is commonly called).

It is a contract between two parties whose purpose is to obtain future coverages based on interest rates, as both parties subscribe for a nominal value, and at the time that is wanted to be sold is settled by the difference, and may also leave the possibility that the future is traded indefinitely in the secondary market.

**Futures on three-month Euribor:** Consists of forecasting the value of Euribor to 3

Months. Being quite risky because it is very dependent on the euro zone interest rate, an initial premium is not required but if minimum guarantees of at least 50% of the operation.

**Futures on the Ibex 35:** Similar to the previous point but based on the stock index

Spanish. It is settled daily by the clearing house of the BME (Spanish stock exchange and markets).

**OPTIONS:** When hiring an option you must pay a small premium and sometimes also subscribe a guarantee. The good thing about the options is that we are setting a commitment of benefits and losses: if we lose always the limit will be the value of the previous premium, and instead if we win the benefits have no ceiling.

It is important to mention that financial derivatives are like **insurance against a unexpected fall in the underlying value to which it is referred**. Therefore there are two types of financial derivatives that take the name of "insurance" for the extreme ability to offer such a quality. *The types of insurance are the exchange rate and the multiple exchange rate.*

In summary we can say that financial derivatives are a type of assets that they base their value on the future of another, with their risk being very high or more moderate, depending on whether we choose to contract futures or options.

## **THE SECONDARY MARKET:**

The secondary market or trading market is a part of the financial capital market dedicated to the company and sale of securities that have already been issued in a first public or private offering in the so-called primary market.

More generally, the secondary market can refer to any second-hand market, where transactions of all types of used goods are produced, whether financial assets or not.

## **SECONDARY MARKET FOUNDATION:**

Securities, both fixed and variable (stocks, bonds, etc.), are issued by companies in the primary market through different channels. The



secondary market begins its function from that moment, taking care of the subsequent sales of those titles between the investors. It behaves like a resale market, in charge of providing liquidity to the securities. In the secondary market securities are bought and sold among different investors. Therefore an important feature of the secondary market is that it has very high liquidity. Originally, the only way to get this liquidity was for potential buyers and sellers to meet at a fixed location on a regular basis. This is how the stock exchanges originated.

The efficiency of the capital markets in general and of the primary securities market or of the issue in particular depends to a large extent on the proper functioning of the secondary markets. If the secondary market did not exist, investors would be reluctant to buy securities in the issuing market because then they could not get rid of them when they needed money or liquidity.

In the absence of well-organized secondary stock markets, the primary market could only function precariously and companies could not obtain from the financial market the capital needed to finance their long-term investments, which would undoubtedly result in a bottleneck in general economic activity.

## **DIFFERENT SECONDARY MARKETS:**

Stock exchanges are the most important and best organized part of secondary markets.

Although stock exchanges are the most important and most organized part of the secondary markets are not the only ones. There are over-the-counter transactions tailored to buyers and sellers of securities. These are the operations called "OVER THE COUNTER", which are not carried out in an organized market but in a particular way between seller and buyer.

## **THE STOCK MARKET:**

They are the economic institution in which all kinds of securities are contracted: shares, bonds, public funds, etc. The origin of the name in the Romance and Germanic languages continental comes from Bruges, Belgium, where in the fifteenth century trade in the effects mentioned was developed in the residence of the bankers Van de Bursen, in whose emblem of the facade three bags were sculpted. The bag of Antwerp, heiress of Bruges, was created in 1574. In 1561 was born the London Stock Exchange, which in 1773 acquired its current profile and in 1792 that of New York, today the most important in the world, followed by the Tokyo, London, Paris, Frankfurt, Hong Kong, Singapore, etc.

In operations brokers and dealers act as brokers and daily, at the end of the session, are published quotes and stock index of the day.

### **BANK GUARANTEES:**

In the present case we are going to treat bank guarantees for international transactions, taking into account initially how a bank guarantee is created from the side of the banker of a business bank or Merchant Bank with Assets or financial assets such as Brazilian national treasury bills duly renegotiated, IBOES (International Bills of Exchange), Mexican debt bonds, metals such as (gold, nickel, silver), and some non-perishable commodities or raw materials such as cereals, rice, sugar, etc., and even movable property such as works of art or real estate such as buildings, Real estate free of charge in general.

The bankization of any of these Assets or financial assets, give rise to the responsibility of the bank and endorsed this "full responsibility" by a first-line bank, so-called Top50 or the 50 most relevant banks in the world, Can issue the different bank guarantees that have different classifications according to the risk they cover. For example:

### **GUARANTEE OF BIDDING.**

When there is a contract awarding contract (either for the supply of goods or for construction), a guarantee is requested from the bidders. The purpose is to ensure that 13 contestants do not withdraw or modify their offer until the award of the contract.

Otherwise, the beneficiary of the guarantee would be covered by any expenses incurred in examining the offers received.

The amount is usually up to 10% of the value of the offer, and the usual term is limited to the scheduled date of the award, and may be extended if necessary (extension of the bidding period).

Usually these guarantees are issued with the commitment that, if the contract is awarded, a guarantee of compliance or performance will be sent.

### **WARRANTY OF OPERATION AND / OR COMPLIANCE.**

This type of guarantee is intended to ensure payment to the buyer in the event that the seller fails to comply with his contractual obligations, either in form or in time. This is why it is possibly the most commonly used type of guarantee in international trade.

The amount is usually set at 10% of the value of the contract, although it can vary between 5 and 20%.

Since its function is to secure the interests of the buyer, so that it receives

Exactly what has been contractually agreed, this type of guarantee may be complementary to the documentary credit, since the latter guarantees the payment to the seller.

Their content can be well established with regard to the delivery of the goods according to the agreed conditions, or extended to other conditions such as installation or repair during the warranty period.

### **MAINTENANCE GUARANTEE.**

It is frequent that in the sales of machines and equipment goods, once delivered the merchandise, establish a period of time during which the supplier is

Responsible for its proper functioning. To cover this period, such guarantees are required

### **ADVANCE PAY GUARANTEE.**

These guarantees arise in the event that the seller asks the buyer for a payment anticipated. With this the buyer is guaranteed the return of the anticipated amounts in case the seller does not comply with the contract.



They are issued before making the payment on account, and is subject to its entry into force at the time of payment.

The amount of the guarantee coincides with that of the prepayment or account.

### **PAYMENT GUARANTEE.**

In the event that guarantees of collection of a sale of goods or provision of services are wanted, the buyer will be required to guarantee payment.

The difference with the documentary credit is that while the credit takes place in the normal way the payment of the same, in the guarantee will only have to make the payment if it fails to comply with the conditions indicated in the contract to which this guarantee refers.

### **FUND RETENTION GUARANTEE.**

This guarantee is that a part of each payment made by the buyer is retained until the contract has been completed.

### **GUARANTEES BEFORE CUSTOMS ENTITIES OR COMMUNITY BODIES.**

These guarantees are used within the European Union as "Community transit guarantee". With them the merchandise is allowed to transit through different countries without the need for clearance and settlement of customs duties.

In cases where the goods originate from a country outside the EU bound for a member country, the importation is not released upon entry into the territory of the Community, but is done in the country of final destination.

Likewise, in the case of exports to a country outside the Community, after its export clearance in the country of origin, it freely circulates through the common territory towards the country of destination.

In cases where the merchandise and its transport have origin and destination in countries

Belonging to the EU, the amount of the guarantee relates to the VAT. On the other hand, we refer to "customs guarantee" as that used to avoid payment of import duties in cases where a temporary

importation of goods, such as for A fair machinery. This guarantee is also required when there is a discrepancy between the customs services and the importer regarding the applicable tariff or when it is shipped directly to customs without the intervention of a customs agent.

### **DOCUMENTARY CREDIT STAND-BY**

Its purpose is to guarantee the payment of an obligation of the payer in favor of the beneficiary for concepts, related or not, with commercial operations. They are also called contingent claims.

The main difference with documentary credits is that stand-bys are only used (the exporter would submit documents for collection) if the ordering / importing party fails to fulfill its obligations (it would be like executing an endorsement). As documentation, it is usually requested only a letter from the beneficiary / exporter stating that the originator / importer has stopped fulfilling his obligations.

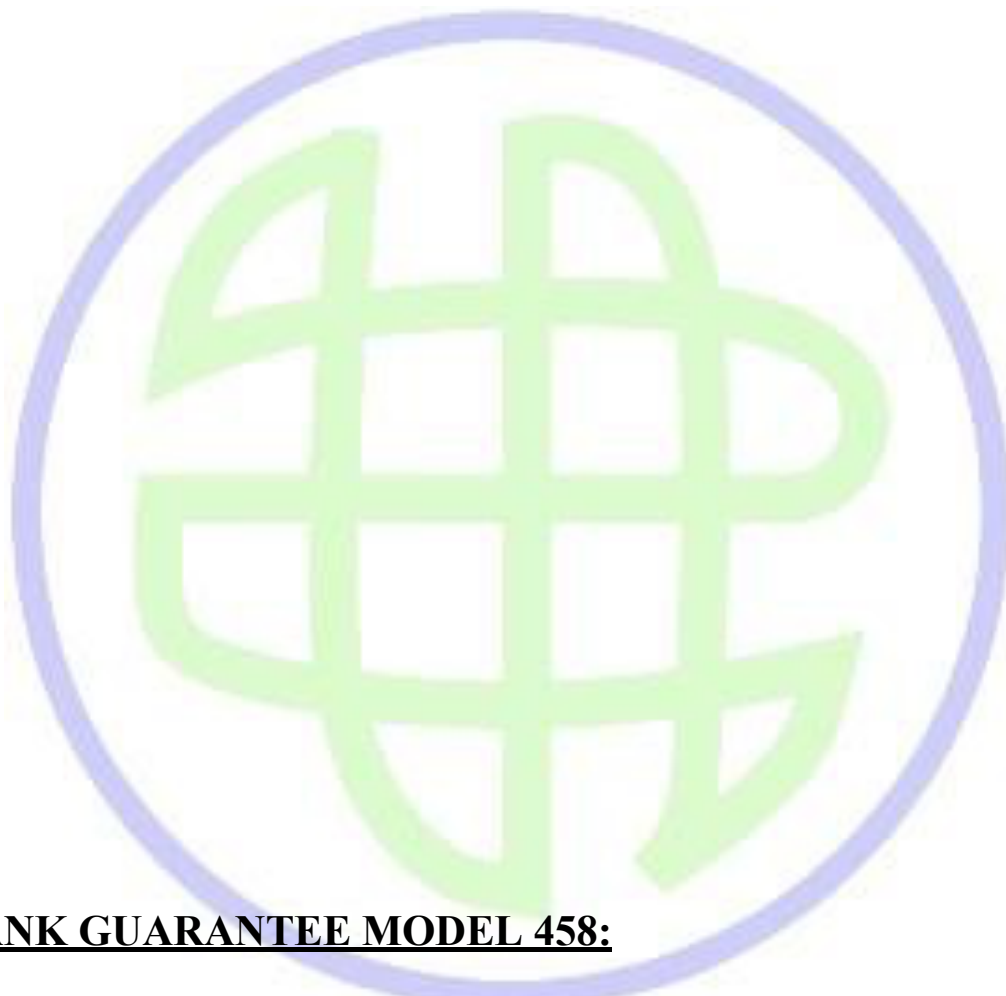
They are equivalent to the guarantees, being their main advantage against them that can be well governed by their own rules and uses for documentary stand-by credits (ISP98), or by the rules and uses for documentary credits (UCP500). This characteristic avoids interpretations and problems originated by the different legislations of the countries involved.

### **MODELS OF BANK GUARANTEES. CONCEPTS.**

The model of issuance of the Bank Guarantee is the one that the Bank deems appropriate according to the conditions that the client prefers, since it is the issuing bank itself that has different types of models for each case. The basic requirements that the Banking Guarantee must have are the following:

1. That the asset is deposited in the account of the client, with full bank responsibility.
2. That the asset is available to the client.
3. That the asset is Assignable, Divisible and Transferable.
4. That the asset can be worked via Swift (Mt 760 and Mt 700).
5. That the asset can be verified bank-by-bank.

Therefore, within the field of Banking Guarantees there are different models: the ICC 500, the 458 and the 600, including the 458 with revision 500.



**BANK GUARANTEE MODEL 458:**

BANK GUARANTEE FOR VALUE RECEIVED WE THE  
UNDERSIGNED, (BANK NAME), LONDON, HEREBY  
IRREVOCABLY, UNCONDITIONALLY AND WITHOUT PROTEST  
OR NOTIFICATION ON  
FIRST DEMAND, PROMISE TO PAY AT MATURITY TO THE ORDER  
OF  
\_\_\_\_\_ THEREOF, THE SUM OF €200,000,000.00 (TWO  
HUNDRED MILLION EUROS) IN THE LAWFUL CURRENCY OF THE  
EUROPEAN UNION UPON PRESENTATION AND SURRENDER OF

THIS GUARANTEE AT THE OFFICE OF (BANK NAME). FULL ADDRESS

SUCH PAYMENT SHALL BE MADE WITHOUT SET OFF AND SHALL BE UNENCUMBERED FREE AND CLEAR OF ANY DEDUCTIONS, CHARGES, FEES OR WITHHOLDING OR ANY NATURE NOW OR HEREAFTER IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED

BY THE GOVERNMENT OF (-----), OR ANY POLITICAL SUBDIVISION OR AUTHORITY THEREOF OR THEREIN.

THIS GUARANTEE IS FULL Y CASH BACKED WITH FUNDS ON DEPOSIT THAT ARE GOOD, CLEAN, CLEARED OF NON-CRIMINAL ORIGIN, FREE OF ANY LIENS OR ENCUMBRANCES

LEGALLY EARNED BY THE APPLICANT. THIS BANK GUARANTEE IS TRANSFERABLE, ASSIGNABLE, DIVISIBLE AND CONFIRMED WITHOUT PRESENTATION OF IT TO US AND SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE (ISSUING COUNTRY) AND THE UNITED KINGDOM.

THIS BANK GUARANTEE IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICES FOR

BANK GUARANTEE AS SET FORTH BY THE INTERNATIONAL CHAMBER OF COMMERCE - PARIS - FRANCE, LATEST REVISION OF PUBLICATION 458. INSTRUMENT OF GUARANTEE:

CUSIP NUMBER:

ACCESSCODE:

EXPIRATION DATE:

MATURITY DATE:

CURRENCY: € EURO

AMOUNT: €

FOR AND ON BEHALF OF (BANK NAME)

<FIRST & LAST NAME> <FIRST & LAST NAME>

BANK OFFICER BANK OFFICER

CODE NO.

CODE

NO.

BANK SEAL

## **BANK GUARANTEE MODEL 500**

## **LETTER OF GUARANTEE MODEL 600**



## **INTERNAL BANK PROCESS WHEN A BANK RECEIVES A BANK GUARANTEE.**

When a bank receives a bank guarantee always starts with a prior notice Using a Swift MT199, MT 999 or MT799, which are free format messages or the so-called PREADVISE. (Pre-warnings).

In this format, the receiving bank is informed that the issuing bank on behalf of its client, who is the applicant of the guarantee and who on his behalf has deposited and banked the Assets or Financial Assets, is willing and prepared to send a bank guarantee with The bank's responsibility in Mt 760 format in favor of its client (name of company and / or Customer) and its account number where it will receive such guarantee with the condition of receiving an irrevocable corporate purchase order (ICPO) , Which is the swift that will subsequently send the receiving bank and which guarantees that the customer who will receive the guarantee has an active line of credit to be able to pay the agreement of purchase of the guarantee, or the agreement that have agreed in private contract the parties.

This process of sending a Swift PREADVISE (MT 199, MT 999 or MT 799) to the bank

Receiver does not take much longer than the bank officer late in formatting the Swift Text and sending it to the banking coordinates of the client of the issuing bank, and can be one hour in normal time. But it can also take 3 to 5 bank days for the international bank office to receive the Swift and verify it from bank to bank to verify its truthfulness. This confirmation process is also done by Swift bank and by confirmation between bank officials identifying each other with their PIN numbers (code that identifies a bank officer within the bank system). These confirmations are recorded for the safety of the operation.

Once the receiving bank has received and confirmed the veracity of the Swift Preadvise (MT 199, MT 999 or MT 799), it responds as requested in the text of said swift by another Swift MT 799 message, confirming that its customer holder of the account where he will receive the Banking Guarantee will irrevocably pay the amount of the agreed price of the purchase of the bank guarantee or the internal agreement that the



parties have, conditioned to receive the Swift MT 760 and mentioning many times in the text that the bank guarantee is TRANSFERRABLE, DIVISIBLE, IRREVOCABLE and COBRABLE at first request.

The time taken for the recipient bank to send the Swift 799 with the irrevocable payment order to the issuing bank in response to the Preadvise (MT 199, MT 999 or MT 799) is between 3 and 5 banking days.

After the fifth day, the issuing bank will receive the Swift MT 799 with the text of the irrevocable payment order of the account holder of the beneficiary's account of the receiver bank, conditioned, logically, to receive the guarantee through Swift MT 760. Likewise The issuing bank confirms said Swift by telephone communication from bank to bank between bank officers, identifying themselves with PIN codes and 20 being recorded such conversations, and also confirming via Swift the truthfulness of the Swift received.

When the Issuing Bank has received and confirmed the Swift MT 799 with the irrevocable payment order, it proceeds to send the Bank Guarantee through communication protocol MT 760 with the agreed text, and even transcribed many times in the preadvise or the payment order.

This process usually takes between 3 and 5 banking days.

Once the Receiving Bank has received the Bank Guarantee through a protocol of

Swift MT 760 communication, the banking officer receives, confirms and conforms the guarantee in favor of its client account holder where the guarantee was sent.

And when it is formed in favor of the beneficiary is when the bank pays the monetization of the guarantee to the account of the customer and in turn this meets the seller of the guarantee to make the payment of the same for the amount or amount agreed by bank transfer to the coordinates given for this purpose.

It is at this time that all participants in the financial operation, charge their fees or management fees

**DIFFERENCES BETWEEN BUY A BANK GUARANTEE AND  
RENT A BANK GUARANTEE.  
ADVANTAGES, DISADVANTAGES AND USES.**

## **BUY A BANK GUARANTEE.**

The purchase of a bank guarantee is an opportunity to raise the financial leverage of the company that does it before the bank where the sale is negotiated or taken as collateral for the financing of a business project.

An example:

The company MINERA FORTE SA acquires a bank guarantee of 100 million euros from the DEUTSCHE BANK DE GERMANIA, for the value of 65% on its face value, That is to say that it has really cost him 65 million euros, and with this guarantee that always has expiration of 1 year and 1 day, the bank that issued it must pay at first demand at maturity to the bank holder or to the investor that has discounted this guarantee.

Said discount is usually no more than 80% of the face value, by the investor or the bank that makes said discount. Therefore, the mining company has increased its cash flow by 15 million euros for only doing this financial operation, since the bank or the investor who has discounted it will charge the first requirement at the expiration of the same. In short, it is to buy money represented in wholesale bank guarantees and sell it at retail.

Usually these operations are usually very synchronized between the seller and the buyer since the emission costs are not cheap.

The margin of maneuver of the bank or investor who has discounted the guarantee and who will charge it at the expiration of 1 year and 1 day is, in this case, 20%.

Note: With a bank guarantee on ownership you can enter into a private investment operation.

## **RENT A BANK GUARANTEE (LEASING).**

A bank guarantee is rented to the applicant company or owner of the same, to serve as collateral of any financial transaction. According to the bank that issues it this way usually cost said Rental or Leasing, which usually ranges from 10% to 20%, depending on the opportunity of the business.

The holder of the rental guarantee, at maturity is responsible for returning free of charge such bank guarantee when used as collateral of

a line of credit for a business project. If this project has its socio-economic viability, let's say 5 years, this guarantee is usually renewed by paying, logically, the cost of renewal that can be in the second, third, fourth and fifth year 50% less than what you paid the first year.

Note: With a bank guarantee for rent does not participate in private investment operations.

### **WHAT IS A FRESH CUT GUARANTEE?**

A Fresh Cut guarantee is a guarantee that is issued for the first time, and its value will depend on the liquidity in the capital market, and this will depend on the bank that issues it and confirms its full bank responsibility

### **WHAT IS A SEASONED GUARANTEE?**

A Seasoned warranty is a warranty that has already been issued and is on the secondary market for sale. Depending on your issuing bank so will your value in the capital market.

### **STAND-BY LETTER OF CREDIT (SBLC).**

Its purpose is to guarantee the payment of an obligation of the payer in favor of the beneficiary for concepts, related or not, with commercial operations. They are also called contingent claims.

The main difference with documentary credits is that stand-bys are only used (the exporter would submit documents for collection) if the ordering / importing party fails to fulfill its obligations (it would be like executing an endorsement). As documentation, it is usually requested only a letter from the beneficiary / exporter stating that the originator / importer has stopped fulfilling his obligations.

They are equivalent to the guarantees, being their main advantage against them that can be well governed by their own rules and uses for documentary stand-by credits (ISP98), or by the rules and uses for documentary credits (UCP500). This characteristic avoids interpretations and problems originated by the different legislations of the intervening countries.

#### **STANBY LETTER OF CREDIT TEMPLATE (SBLC).**

The SBLC Model will depend on the agreement reached with the beneficiary.

Therefore, depending on the agreement, the issuing Bank issues a SBLC in favor of the beneficiary based on the Asset that the client has contributed.

SBLCs should always be stipulated by the ICC rules Publ. 500/600.

It is important to emphasize that for an SBLC to be issued and used as collateral it must be Assignable, Divisible and Transferable.

STANBY LETTER OF CREDIT TEMPLATE

**STANDBY LETTER OF CREDIT  
MT 760**

FROM ISSUING BANK :

SWIF :

TO ADVISING BANK:(TO BE ADVISED)

SWIFT:

AT THE REQUEST OF AND FOR THE ACCOUNT OF .....(THE ACCOUNT PARTY), WE,(ISSUING BANK) HEREBY OPEN AND ISSUE IN FAVOR OF \_\_\_\_\_BANK (ADVISING BANK), AN IRREVOCABLE STANDBY LETTER OF CREDIT IN A PRINCIPAL AMOUNT OF USD ...000,000(USD....MILLIONS ONLY) AS A SECURITY FOR YOUR BANKING FACILITIES GRANTED TO \_\_\_\_\_COMPANY(THE BORROWER)

DRAWING MADE UNDER THIS STANDBY LETTER OF CREDIT MUST BE ACCOMPANIED BY :

1. DRAFT(S) IN RESPECT OF THE AMOUNT TO BE DRAWN UNDER THIS STANDBY LETTER OF CREDIT.
2. SIGNED STATEMENT FROM YOU WHICH CERTIFIES THAT:
  - A. THE AMOUNT DRAWN SHALL REPRESENT THE UNPAID AMOUNT OF PRINCIPAL, ACCRUED INTEREST AND OTHER CHARGES UNDER THE CREDIT AGREEMENT.
  - B. SUCH AMOUNT WAS NOT PAID WHEN DUE IN ACCORDANCE TO THE TERMS AND CONDITIONS OF THE CREDIT AGREEMENT.

AND PRESENTED TO US WITH THE FOLLOWING ADDRESS.....FOR THE ATTENTION OF..... ALL PAYMENT UNDER THIS STANDBY LETTER OF CREDIT SHALL BE MADE FREE AND CLEAR OF ANY DEDUCTION OR WITHHOLDING WHATSOEVER AND SHALL BE PAID IN THE CURRENCY AS SPECIFIED ABOVE. PARTIAL DRAWING IS PERMITTED.

THE AMOUNT PAYABLE TO YOU UNDER THIS STANDBY LETTER OF CREDIT SHALL BE MADE ON YOUR FIRST DEMAND .WE HEREBY UNDERTAKE TO HONOUR YOUR DRAWING WHICH IS AVAILABLE UPON PRESENTATION OF YOUR CLATM BY AUTHENTICATE SWIFT MESSAGE.

THIS STANDBY LETTER OF CREDIT IS VALID FROM ...2008 UNTIL ....2009 (BEING 365 DAYS OF THE EXPIRY DATE).

ANY CLAIMS UNDER THE STANDBY LETTER OF CREDIT CAN BE PRESENTED WITHIN THE VALIDITY OF THIS STANDBY LETTER OF CREDIT.

THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDIT, INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO.600, ICC PUBLICATION NO.600 AND ANY OF ITS AMENDMENT.



THIS STANDBY LETTER OF CREDIT IS TRANSFERABLE AND ASSIGNABLE BY YOU.

YOUR SIGNED STATEMENT CERTIFYING THAT AMOUNT DRAWN HEREUNDER REPRESENTS AND COVERS THE UNPAID INDEBTEDNESS AND INTEREST THEREON DUE TO YOU ARISING OUT OF YOUR GRANTING GENERAL BANKING FACILITIES TO \_\_\_\_COMPANY.

INSTRUCTION TO THE ADVISING BANK, UPON YOUR RECEIPT OF THIS CREDIT, PLEASE IMMEDIATELY ADVISE THIS CREDIT TO \_\_\_\_\_COMPANY VIA FACSIMILE AND COURIER.

THIS SWIFT CONSTITUTES THE OPERATIVE CREDIT INSTRUMENT AND NO MAIL SHALL FOLLOW.  
IN ALL COMMUNICATION PLEASE QUOTE OUR REF NO

---

Remittance Route (USD)

Bank:

Swift Code:

Account:

Further Credit To:

Swift Code:

Bank DD:

Bank Officer:

Beneficiary's Account:

Beneficiary's Name:

Address: Tel:

Bank Tel:

## INTERNAL BANK PROCEDURE

As its purpose is to guarantee a payment by the payer to the beneficiary, and being a document that functions as collateral or as collateral if the payer fails to fulfill his obligations agreed in the contract of import or export to the beneficiary, he will execute without further Said guarantee, informing the bank of such default of payment.

The internal banking process when the contracts are issued is by the payer's bank or issuing bank. Under the guarantees of said payer, the SBLC is issued to the beneficiary for the amount and conditions agreed upon in the contract.

According to the expiration, the beneficiary can discount said SBLC, once the conditions of fulfillment of the contract have been fulfilled.

Procedure: The Bank of the payer after the signing of contracts issues to the banking coordinates of the Bank of the Beneficiary the SBLC for the amount and conditions agreed in the contract.

The Bank of the Beneficiary, confirms among bank officials the veracity of said SBLC, and deposits it into the securities account of the beneficial owner. By being divisible, transferable and irrevocable, the beneficiary can deduct with his bank the said SBLC (or another) until the expiration of it.

## **LETTER OF CREDIT.**

### **Purpose:**

Its purpose is to guarantee payment regardless of the contract that gave rise to the parties that negotiated the agreement. The commonly called international contract of sale has legal support in the rules and uniform uses relating to documentary credits UCP600 of the International Chamber of Commerce (ICC).

With respect to the other payment instruments commonly used in international trade operations, such as collections (UCP522), payment orders or transfers, documentary credits offer greater security in terms of credit risk.

### **Types of Letters of Credit:**

#### **Domestic:**

It is the open letter of credit in favor of a beneficiary who has his domicile in the country.

Normally it does not require the intervention of another financial institution. It establishes a triangular relationship between the payer of the instrument, the issuing bank and the selling beneficiary.

Generally, foreign banks intervene as intermediaries to the beneficiary. When opening the letter of credit, the bank sends it to its foreign correspondent to add its confirmation and give notice to the beneficiary, directly or through its own correspondent in the country of destination.

#### **Counter payment:**

This type of card can be subdivided in turn into payment on demand and deferred.



- Payment at sight and confirmed by the paying bank. This can't delay payment.
- Deferred (payable to term) and confirmed by the bank. It undertakes against delivery of documents to be paid at maturity.

### **Counter Acceptance:**

The credit is available against presentation of the documents and a bill of exchange released over time against a designated bank, which may be the issuer itself.

### **Counter Negotiation:**

The credit is available against presentation of the documents and a bill of exchange released on demand or against the issuing bank. The negotiating bank "buys" on behalf of the issuer the rights of the beneficiary over the credit. A freely negotiable credit can be negotiated by any bank.

### **Revocable or Irrevocable:**

By default, the letter of credit is considered irrevocable, that is, the commitment issued and accepted by the parties can't be modified without the consent of all parties involved (payer, banks, beneficiary). By express indication a documentary credit can be issued denominated revocable, in which case it can be modified whenever it has not been used, and will be firm the obligations acquired or in execution of execution.

### **Commercial or Financial:**

Depending on the type of obligation it covers, the letter of credit may be commercial, when the transaction involves a transaction, which may be local or international (import or export), or financial, when it ensures compliance with An obligation of this order (stand by).

### **Nominative or Negotiable:**

The letter of credit that expressly indicates the authorized banks to confirm, warn and negotiate the instrument, and will be freely

negotiable those that do not expressly indicate the banks nominated to intervene in its handling.

The letter of credit may be **in sight** when the payment is made immediately upon presentation of conforming documents; **by acceptance**, when the payment is made by the acceptance of the bank paying a bill of exchange released over a certain period; **for deferred payment**, when the payment is established to a certain period after the use of the instrument.

### **Private Credit Cards:**

- **Transferable:** The letter of credit expressly so allows the beneficiary to make available the credit in whole or in part to a third party (second beneficiary), according to the same terms, conditions, obligations and benefits, except the value and price of the goods Which may be reduced. The omission of indication implies that it is non-transferable.
- **Revolving:** It includes the immediate restitution of the value of the credit once it is used, allowing its reuse in the same way, amount and original conditions, for a certain period.
- **Advance payment:** Allows the total or partial advance payment against simple receipt and express commitment of presentation of documents (Red Clause) or against a certificate of deposit in authorized warehouse, invoices or other proofs of arrangement previously agreed and identified in the credit (Green Clause ).
- **Back to Back:** Established when the bank opens a credit backed by another major credit in favor of the payer.

MODEL CONTRACT BETWEEN THE PARTIES ORIGINATING A  
POSTERIOR CREDIT CHARTER.

Date ..... 2013

### **Gathered**

For one side, **Mr** .....of age....., domiciled in.....and provided with identification document number.....

And for the other side. **MR** .....of age, ..... domiciled in.....and provided with identification document number.....

**SHARE** each of them with full legal capacity to be bound in this act in the way they do as they manifest under penalty of falsification in document if it is not true and

### **They intervene**

The first of them in his own name and right (in case of legal entity express the position he holds and the data of the mercantile that the attendant represents) from now on  
**PART A**

And the second of them, as sole administrator of the mercantile....., domiciled in..... and provided with tax identification number.....  
from now on **PART B**

Both parties, for themselves and for those who intervene, freely, mutually and reciprocally

### **MANIFEST**

- I. **PART A** Has as ... social ..... That habitually develops in the territory of .... called .... Sited in ... .. and centralized its management for the purposes of this contract in ....., and at the moment is negotiating the following contract: (transcription of the contract)

- II. That for this purpose and as "condition sine aequenon" for the subscription of such contract, it is necessary to guarantee the payment that appears in favor of ... in clause ... of the contract transcribed.
- III. That PART B has as social activity, among others, the financial activity aimed at obtaining its own financial instruments that allow to guarantee operations of legal business of any nature within the fair trade and clean source funds of such instruments, at the national level or Internationally due and documented to have effects vis-à-vis third parties and, especially, against the banking / financial entities used for this purpose.
- IV. Coinciding those who appear for their own sake, and in the name of the person involved, in joining their wills in an agreement, submit the same to the following.

### **STIPULATIONS**

**FIRST.-** PART A, with the object and sole purpose of guaranteeing the payment in favor of ... ..... contained in clause ... of the contract transcribed in the first manifestation of the present document, entrusts the PART B the obtaining of a sufficient financial instrument to fulfill the object and the only intended destiny, mentioned above, being this the object of the present contract.

**SECOND .-** In order to perfect the object of the present contract, the parties expressly and expressly agree the following PROCEDURE:

- 
- 
-



**THIRD.-** The parties recognize that the instrument obtained in the form provided for in the previous stipulation has the function of guaranteeing the payment whose natural, contractual obligation is the responsibility of PART A; Nevertheless, if on the day of payment of this amount, PART A will not make the payment expected, this will be paid by PART B via the instrument object of this contract, and this for the very nature of object and only destination of Said financial instrument agreed between the parties in this act.

**FOURTH.-** In the event that the situation provided for in the previous clause occurred and PART B had to pay the payment provided in the contract transcribed to this document whose obligation corresponds to PART A, it is bound, from now on and for Then, to pay PART B the amount paid on its behalf as previously provided. Said payment must be made on the following ... BANK DAYS to the payment made through the timely transfer .. (or other method)

From now on and in case of the situation provided for in the previous paragraph, PART A offers to PART B, as a guarantee and in case it could not respond to the payment that would have to pay as planned, Pledge by pledge with registration of the following assets:

- 
- 
- 

**FIFTH.-** Those appearing for themselves and for those who intervene, renouncing their own jurisdiction, if they have it, submit to everything derived from this document, considerations and resolutions of equity that, if necessary,

dictate the chambers of commerce Of paris or new york,  
being applicable to this contract the legislation of  
(different for each case) for reasons of territorial scope.  
And with nothing more to add, the parties hereby ratify  
this document in full, in duplicate, each original received  
respectively, at the place and at the date indicated in the  
heading of the same

Sign.-.....  
.....

Sign.-

## LETTER OF CREDIT TEMPLATE

**DOCUMENTARY LETTER OF CREDIT - FORMAT UPC 600. THIS IS A MODEL. HOW THE ISSUER BANK HAS TO SEND THE COPY BEFORE ACTIVATING IT CHECK AND ADJUST.**

-----Instance Type and Transmission -----

Original received from SWIFT

Priority:

Message Output Reference:

Correspondent Input Reference:

----- Message Header ----- Swift

Output:

Sender:

Receiver:

-----Message Text -----.

27: SEQUENCE OF TOTAL

1/1

40A: FORM OF DOCUMENTARY LETTER OF CREDIT IRREVOCABLE, TRANSFERABLE.

PAYMENT 45 DAYS FROM BILL OF LADING DATE.

20: DOCUMENTARY LETTER OF CREDIT NUMBER

31C: DATE OF ISSUE

310: DATE AND PLACE OF EXPIRY (90 DAYS FROM ISSUANCE/ACCEPTANCE)

50: APPLICANT

59: BENEFICIARY

32B:

CURRENCY CODE AMOUNT

CURRENCY: UNITED STATES OF AMERICA

AMOUNT: USD\$3,825,000.00-/(FULL CONTRACT VALUE: USD\$45,900,000.00)

39A: PERCENTAGE CREDIT AMOUNT TOLERANCE 05/05

41A: AVAILABLE WITH I BY SWIFT ISSUING BANK /

43P: PARTIAL SHIPMENTS MIN 12.500 MT 29

43T: TRANSSHIPMENTS / NOT ALLOWED



44E: PORT OF LOADING: PALUA (VENEZUELA)  
44B: FOR TRANSPORTATION TO: MEDITERRANEAN PORT OF BARCELONA  
44C: LATEST DATE OF FIRST SHIPMENT 45 DAYS FROM RECEIPT AND ACCEPTANCE OF LC  
45A: DESCRIPTION OF GOODS AND I OR SERVICES  
COMMODITY: HMS1&2 (80%&20%)  
UNIT PRICE: USD 306.00 PER METRIC TON  
TOTAL QUANTITY: 12.500MT  
DELIVERY: CIF BARCELONA PORT. SPAIN  
SPECIFICATION: GOST 7173-75 / GOST 8165-75 / ISRI 27-29  
PACKING: BULK  
46A: DOCUMENTS REQUIRED: THE FOLLOWING DOCUMENTS MUST BE PRESENTED IN DUPLICATE UNLESS OTHERWISE SPECIFIED. (SEE PARAGRAPH 8.2)

1. ORIGINAL 3 ORIGINAL CLEAN ON BOARD OCEAN BILLS OF LADING PLUS THREE NON-NEGOTIABLE COPIES SIGNED BY THE OWNER OR MASTER OF THE VESSEL
2. MARKED "FREIGHT PREPAID" AND CONSIGNED TO ORDER AND BLANK ENDORSED WITH NOTIFY PARTY TO BE ADVISED
3. CERTIFICATE ISSUED BY BUREAU VERITAS (OR SIMILAR) AT PORT OF LOADING CONFIRMING THE QUANTITY DETERMINED BY DRAFT SURVEY, SPECIFICATION (INCLUDING SIZES), OF THE GOODS OF THIS CONTRACT – 3 ORIGINAL AND 1 COPY.
4. CERTIFICATE OF ORIGIN ISSUED BY CHAMBER OF COMMERCE AND INDUSTRY – 3 ORIGINAL AND 1 COPY.
5. CERTIFICATE OF INSURANCE TO COVER 110% OF THE TOTAL INVOICED VALUE OF GOODS SHIPPED: 1 (A) ORIGINAL OR COPY OF + 3 (THREE) COPIES.
6. CERTIFICATE OF QUALITY ISSUED BY SGS, CONFIRMING QUALITY OF THE GOODS – 3 ORIGINAL SET AND 1 COPY SET.
7. SIGNED COMMERCIAL INVOICES IN FIVE ORIGINALS SHOWING MATERIAL DESCRIPTION, SIZE, QUANTITY OF GOODS, QUALITY, UNIT PRICE AND TOTAL VALUE OF GOODS, AND NAME OF VESSEL; IN ENGLISH LANGUAGE.
8. EXPORT LICENSE.

47A: ADDITIONAL CONDITIONS

- TOLERANCE 5 PCT MORE OR LESS ON VALUE AND QUANTITY ACCEPTABLE
- ALL BANK CHARGES IN THE BUYER'S BANK ARE FOR THE BUYER'S ACCOUNT AND ALL BANK CHARGES IN THE SELLER'S BANK ARE FOR THE SELLER'S ACCOUNT.
- ALL DOCUMENTS MUST BE ISSUED IN ENGLISH LANGUAGE
- CHARTER PARTY BILL OF LADING AND THIRD PARTY DOCUMENTS ARE NOT ACCEPTABLE 71B: CHARGES
- ALL BANKING CHARGES AND COMMISSIONS OTHER THAN THE ISSUING BANK'S CHARGES ARE ON THE BENEFICIARY'S ACCOUNT.

48: PERIOD FOR PRESENTATION WITHIN 14 DAYS OF SHIPMENT DATE.  
49: CONFIRMATION INSTRUCTION CONFIRM IF NEEDED  
53A: REIMBURSING BANK - BIC TO BE COMPLETED BY ISSUING BANK  
78: INSTRUCTIONS TO PAYING/ACCEPTING/NEGOTIATING TO BE COMPLETED BY ISSUING BANK 72: SENDER TO RECEIVER INFORMATION /I KINDLY CONFIRM HAVING NOTIFIED AND CONFIRMED UC TO BENEFICIARIES BY RETURN SWIFT QUOTING YOUR REFERENCE

\*\*\*MUST BE ISSUED VIA SWIFT \*\*\*

## INTERNAL BANK PROCEDURE:

As its purpose is to guarantee a payment by the payer to the beneficiary, due to the fulfillment of a contract between the parties (buyer and seller), the beneficiary is guaranteed the payment to the full compliance of its contractual part whatever the agreement with its sending client.

The internal banking process when the contracts are issued is by the payer's bank or issuing bank. Under the guarantees of said payer the LC is issued to the beneficiary, for the amount and conditions agreed upon in the contract.

According to the expiration, the beneficiary can deduct said LC, once the conditions of fulfillment of the contract have been fulfilled.

Procedure: The bank of the orderer after the signing of contracts issues to the bank coordinates of the beneficiary's bank the LC for the amount and conditions

In the contract.

Bank of the Beneficiary. It confirms between banking officers the veracity of this LC, and deposits it into account of the beneficial owner's securities, by demonstrating the beneficiary who has fulfilled the terms of the contract, it can discount it with the same bank or other entity depending on the conditions of discount.

### **PROMISORY NOTES.**

A promising note is an informal and signed promise to pay certain amount of money at a predetermined time in the future. Do not use complex legalisms to make a definite promise. However, some details must be considered in order to avoid future legal confusion.

A promissory note should always be written. It should never be just an oral agreement to pay someone a certain amount of money, since it could then be easily reneged. The promissory note must be written in clear language and must include the intentions of repaying a loan after the originally stipulated date.

The promise made on a promissory note has to be unconditional. If conditions apply, creating a promissory note becomes null and void. The writer should also list exactly who will pay the debt later, either the same creator of the note or another person. The promissory note should stipulate that the loan payment will be in legal money and not in other monetary form, such as stocks or bonds.

Anyone who creates a promissory note must sign it with their own name. If someone else will be paying the loan, you must also sign the note. It could have to be signed in the presence of a notary public. The

note must also have the date on which it was written or the date on which the payment will take place. It is not essential to validate the promissory note. It could, however, affect how to calculate interest. In some cases, a promissory note might include the range of interest that one will have to pay on the loan if the loan is paid much later. The loan must be paid with the interest rate mentioned in the note, regardless of whether this range increases after a certain date.

### **SAMPLE OF AGREEMENT FOR PROMISSORY NOTES:**

#### **Gathered**

On the one hand, ....., of nationality ..... Domiciled in ....., for the purposes of this document, and provided with a passport of nationality ... ..... Number ..... .....

And on the other hand, MR ..... .., of nationality ....., neighbor of....., with Address in ....., Number, and with a passport document .....

**SHARE** each of them with legal capacity to be bound in this act, and **INTERVING**, the first of them, in the name and representation of .....,

With its registered office in designated expressly for the purposes of this contract; And the second of them as administrator of the mercantile of Spanish nationality called ..... .., with the same registered office as its representative and provided with tax identification number number .....

In this act, by mutual consent and with the express consent of those appearing for themselves and for whom they represent

#### **MANIFEST**

I ..... .. is a trading company engaged in ..... owning the following goods:

- a.
- b.
- c.

- II. .... Between its commercial / professional activities the management of assets of any nature for its own account or on behalf of third parties for which it has subscribed documents with banking financial institution XXXX, based in London, UK, hereinafter referred to , Which allow it to use the structure of the same for the Execution of banking financial operations of different types based on and support in assets denominated assets
- III. Accordingly, both parties have reached an agreement which they submit to the following

### STIPULATIONS

**FIRST.-** ....., **from now on**, undertakes to issue in favor of ....., **from now on** ..... .. based on the assets described in the first manifestation of this document and in accordance with the social agreement that approves and decides it, an instrument called **PROMISORY NOTE** for the amount of ..... Amount that forms the total of the values assigned to the assets described in accordance with the appraisals and insurance contracts issued by the relevant entities and which form an integral part of the documentation that causes the issuance of said instrument

**SECOND.-** ..... undertakes to deposit said instrument in the house security itself whose use as its own has agreed to be the holders of said deposit the parties appearing in this act and all this with the destination of the operation to be performed on the basis of this instrument

**THIRD.-** Once the deposit has been made, and prior to any planned transaction, the depositors and the financial / banking entity **XXXX** undertake, from now on, to verify the authenticity and availability for the pre-determined purposes, and once this verification has been made in Form, simultaneously, ..... .., by itself and through its financial and banking structure, and especially through the company named ..... Based in London, UK, shall facilitate the issuance of **SWIFT MT 760 FULL RESPONSABILITY** to the banking coordinates designated by ....., either own or third-party customers, with each Swift being sent for a period of ONE YEAR AND ONE DAY , And for the price of ONE PERCENT (1%) of the face value of Swift issued, which will be paid by the recipient of said shipment through the deposit, in the form of a bank check in favor of .....



of the amount of the issue and Sending the Swift before fifteen banking days of having produced the issue and sending of the Swift in question, deducting the amount of the deposit deposited from the amount allocated to receive the proceeds of the financial transaction to be performed by ..... .. and conform With the provisions of this document, returning the deposited slip to its issuer simultaneously.

**FOURTH.-** ..... .. proposes in this act the realization, by the amount previously established as values of the assets described, of a financial transaction consisting in introducing into financial trading the amount resulting from the monetization of the value assigned to the **PROMISORE NOTE** To carry out this type of operations that will be expressly directed by ..... .. With complete information of each step to follow ..... .., accompanying the documentation that accredits the operation carried out to this document as an annex to the same that from now and for then parties agree that will be an intrinsic part of this document.

Of the net proceeds of the transaction, the parties agree to a twenty percent (20%) share of the same that will be received ... ..... .. and eighty percent of the same (80%) that will receive ..... .., which will be paid to each of the parties by bank transfer to the bank coordinates designated by each one of the parts for this purpose for each of the transfers duly communicated in a reliable manner.

**FIFTH.-** During the validity of the aforementioned operation and from the signature of this document until the total completion thereof, the assets described in the first manifestation of this document will be available to the object of the

This contract will be constituted guarantee of such a situation of provision by means of the creation of the appropriate legal figure agreed upon by the parties appearing, who will extinguish this document once the execution of the object of this contract has been completed.

**SIXTH.-** The parties appearing for themselves and for those involved intervene agree to submit to the jurisdiction of the arbitration tribunals that correspond by reason of territoriality in the fulfillment of the obligations of each one of them, preferably in case of conflict of the Chamber of Trade of Madrid.

And with nothing more to add, the parties present ratify in full the present document by signing the same, in duplicate of originals, in ..... .., a ... ..... .. from ..... Of 2013

Sign  
Part A

Sign  
Part B

## **CERTIFICATES OF DEPOSIT**

The Certificate of Deposit known or identified as a CD is a financial document that certifies the ownership of goods, money or goods deposited in the warehouse that issues it.

Based on the General Law of Credit Institutions, banking institutions in Mexico and the General Deposit Stores registered and audited by the National Banking and Securities Commission are authorized to issue these securities.

The certificates, receipts or certificates issued by other persons or institutions to accredit the deposit of goods or merchandise, will not produce effects as securities.

This document can be transmitted through an endorsement, and grants the holder of the same rights over the merchandise covered by the document.



## MODEL OF A CD IN MONEY

### BANK COMFORT LETTER FOR CERTIFICATE OF DEPOSIT SAMPLE:

#### Certificate of Deposit

Certificate Number:

Date of Issue:

Maturity Date:

Principal Amount:

Depositor Name:

Place of Issue:

Value at Maturity:

This Certificate of Deposit in the amount of **(XXX Million Euros) (€ XXX,000,000.00)** is issued by **(Bank Name and address)**

This Certificate of Deposit certifies that there has been deposited in this bank the above stated principal. We certify that at the time of issuance, this Certificate of Deposit is free of any liens or encumbrances and the cash funds represented by this deposit are good, clean, clear and not of criminal origin.

This Certificate of Deposit does not allow for any corrections.

Upon maturity of this Certificate of Deposit (**Bank Name**) promises to pay the holder the total amount of this Certificate of Deposit with no protest or notice, against the presentation of this Certificate of Deposit, without delay, free of any deduction or compensation, charges, costs or withholdings of any current or future nature emerging or imposed by the (**Bank's country**) Government, properly endorsed at the counter of (**Bank Name and address**). This Certificate of Deposit is subject to the laws forthcoming from the competent authorities of (**Bank's country**) and is governed by the Uniform Customs and Practice for Documentary Credits, international Chamber of Commerce, Paris, France, publication 500-600, latest revision.

This Certificate of Deposit is issued with full bank responsibility and is an operative unconditional, irrevocable, fully confirmed and recorded negotiable instrument and is transferable, assignable and callable and may be verified on a bank-to-bank basis.

Verifiable through (**Bank Name and address**)

For and on behalf of

(**Bank Name and address**)

(Bank's Seal)

(**Officer's Name and position**)

## USUAL DOCUMENTS.

### FUNDS TEST:

It is a financial document, usually a statement or a letter, showing one of the parties to record that there is financial capacity and / or funds available to complete a particular transaction. It is often provided by the bank of the account holder in the form of a specific bank letter for the transaction in question. The bank letter assists the stakeholder, with the confidence that there are cash funds available, which can be obtained and are legitimate.

The Proof of Funds, POF, can also be used in the preliminary stages of credit enhancement when applying for funding, or when attempting to

conduct a multi-purpose operation, including acquisitions of companies, materials, equipment, automobiles, real estate, OER, as well as banking instruments and financial instruments.

The Proof of Funds is based more on the statements of the Funds in a cash account, or funds in a cash bank account backed by requiring verification of the account.

The Proof of Funds letter is not commonly used in consumer products for purchase and financing.

A POF chart usually does not need to show the starting balance, current balance, or average balance. It also does not need to show the transaction history, nor give details of whether the account holder in a particular bank has outstanding loans, credit cards or savings accounts. Instead, a proof of funds letter issued by the bank holding an account simply has a language designed to verify that the funds are legitimate for a specific transaction in the account, without going into details of the history, balances, etc.

The origin of the funds must be credited by letter of Proof of Funds they are clear, clean and transparent of non-criminal origin. This may or may not be a requirement of the interested party.

The supply of the POF can be done in several ways: by letter by fax, e-mail, sending from one bank to another via telex, by mail printed copy, or delivered in hand by the account holder directly. In trade finance, project finance, global finance, or asset financing is also commonly issued by the banking protocol, called Swift.

SWIFT messages have a variety of message types assigned to various financial transactions. The series of electronic messages delivered through the SWIFT corresponding to the Proof of Funds is often done by a bank with the SWIFT MT103 conditional or through the types of unformatted messages, such as SWIFT MT799, and less frequently SWIFT MT999.

### **PROOF OF FUNDS BANK COMFORT LETTER SAMPLE:**

## PROOF OF FUNDS LETTER

**RE:** ACCOUNT NAME:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

ACCOUNT NUMBER: XXXXXXXXXXXXXXXXXXXX (USD  
A/C)

DATE: XXXXXX XX, 2011

WE, XXXXXXXXXXXXXXXX BANK XXXXXXXXXXXXXXXXXXXX.,  
LOCATED AT XXXXXXXXXXXXXXXX, XXXXXXXXXXXXXXXX,  
XXXXXXXX, DO HEREBY CONFIRM WITH FULL BANK  
RESPONSIBILITY, THAT WE IRREVOCABLY HOLD FOR OUR  
CLIENT XXXXXXXXXXXXXXXX, REPRESENTED BY ITS  
PRESIDENT, MR XXXXXXXXXXXXXXXX (ACCOUNT  
SIGNATORY), UNDER ACCOUNT NUMBER XXXXXXXXXXXXXXXX  
(USD A/C), **CASH FUNDS** IN THE AMOUNT OF( **AMOUNT IN  
NUMBERS AND LETTERS** ), .... IN ... ( **CURRENCY – USD / EURO /  
GBP** )...IN THE LAWFUL CURRENCY OF ...( **THE UNITED STATES  
OF AMERICA** ) / ( **THE EUROPEAN ECONOMIC COMMUNITY** ) / ( **UNITED KINGDOM OF GREAT BRITAIN** ), PRESENTLY HELD  
UNDER CUSTODY WITH OUR BANK AND IMMEDIATELY  
CALLABLE UPON FIRST DEMAND.

WE FURTHERMORE CONFIRM THAT:

- THESE FUNDS ARE FREELY TRANSFERABLE AT OUR CLIENT'S DIRECTIONS, AND THAT OUR CLIENT'S ACCOUNT IS IN GOOD STANDING WITH OUR BANK AND THAT
- THESE FUNDS TO BE GOOD, CLEAN, AND CLEARED FUNDS OF NON-CRIMINAL AND NON-TERRORIST ORIGIN, AND ARE FREE FROM ANY AND ALL LIENS AND ENCUMBRANCES AND THAT

SIGNED BY:  
BANK OFFICER  
PIN & TITLE

BANK SEAL

SIGNED BY:  
BANK OFFICER  
PIN & TITLE

**RWA:**

Document of bank ratification and essential in the final process of the processing.

With this document, the bank confirms:

- \* **The asset is good, clear, clean and of non-criminal origin**
- \* **The Asset does not have any type of external load**
- \* **Asset can be worked via SWIFT MT799 - MT760**

It must be signed by two bank officials and stamped by the bank itself.  
With this document, the bank undertakes to issue the Swift MT-760 when the client orders it and at the coordinates it indicates.

## **RWA LETTER MODEL ISSUED BY THE BANK.**

### **RWA LETTER**

**TO:** PROGRAM MANAGER

**RE:** ACCOUNT NAME:

XXXXXXXXXXXXXXXXXXXXXXXXXXXX

ACCOUNT NUMBER: XXXXXXXXXXXXXXXXXXXX  
(EUR)

**DATE:** XXXXXX XX, 2011

WE, XXXXXXXXXXXXXXXX BANK XXXXXXXXXXXXXXXXXXXX.,  
LOCATED AT XXXXXXXXXXXXXXXX, XXXXXXXXXXXXXXXX,  
XXXXXXX, DO HEREBY CONFIRM WITH FULL BANK  
RESPONSIBILITY, THAT WE IRREVOCABLY HOLD FOR OUR  
CLIENT XXXXXXXXXXXXXXXX, REPRESENTED BY ITS  
PRESIDENT, MR XXXXXXXXXXXXXXXX (ACCOUNT  
SIGNATORY), UNDER ACCOUNT NUMBER  
XXXXXXXXXXXXX CASH FUNDS THE AMOUNT OF  
XXXXXXXXXXXXX MILLION EURO (€ XXX,000,000.00),  
THE LAWFUL CURRENCY OF THE EUROPEAN ECONOMIC  
COMMUNITY, PRESENTLY HELD UNDER CUSTODY WITH  
OUR BANK AND IMMEDIATELY CALLABLE UPON FIRST  
DEMAND.

WE FURTHERMORE CONFIRM THAT:



- THE AFOREMENTIONED BG/SBLC/CD IS ASSIGNABLE, DIVISIBLE, NEGOTIABLE AND FREELY TRANSFERABLE AT OUR CLIENT'S DIRECTIONS, AND THAT OUR CLIENT'S ACCOUNT IS IN GOOD STANDING WITH OUR BANK AND THAT
- THESE FUNDS TO BE GOOD, CLEAN, AND CLEARED FUNDS OF NON-CRIMINAL AND NON-TERRORIST ORIGIN, AND ARE FREE FROM ANY AND ALL LIENS AND ENCUMBRANCES AND THAT
- WE ARE READY TO BLOCK AND RESERVE THE AFOREMENTIONED CASH FUNDS VIA A PREADVISE S.W.I.F.T. MT-799 FOLLOWED BY A BINDING, CALLABLE AND AUTHENTICATED S.W.I.F.T. MT-760 UPON FIRST DEMAND OF OUR CLIENT **XXXXXXXXXXXX** TO BANK COORDINATES AS DESIGNATED BY OUR CLIENT.
- WE ALSO CONFIRM THAT THE ABOVE MENTIONED INSTRUMENT IS AUTHENTIC, LEGAL AND VALID, AND IT CAN BE VERIFIED AND CONFIRMED THROUGH THE FOLLOWING BANK COORDINATES:

Bank Name:

Bank Address:

Telephone Number:

SWIFT code:

Bank Officer:

SIGNED BY:

BANK SEAL

SIGNED BY:

BANK OFFICER:

BANK OFFICER:

PIN & TITLE:

PIN & TITLE:



## LOI (LETTER OF INTENT)

LOI, also known as the Letter of Intent, is a formal document through which the client expresses his intention to participate in a Private Placement Program.

### MODEL OF CORPORATE LOI.

#### LETTER OF INTENT

DATE: \_\_\_\_\_, 2013

TO: Trade Authority / Program Manager

RE: Participation in Structured Private Financial Opportunity

INVESTOR TRANSACTION CODE:

Dear Sir,

I, (**NAME**), the undersigned, hereby confirm under penalty of perjury, my full commitment and agreement to participate in an investment opportunity, subject to my acceptance of the terms, conditions and procedures that shall be outlined in the Private Placement Program.

Furthermore, I hereby warrant and represent that I have available for placement into the proposed investment, the sum of (**SPELL AMOUNT**) Euro/United States Dollars (€/ \$ \_\_,000,000.00) of clean, clear funds, free of any levy, liens or encumbrances and of non-criminal origin, and herewith attach documentary evidence of same. I hereby warrant and represent that the Rule of Full-disclosure has established these funds were legally obtained from non-criminal business or actions. I further confirm that I am the beneficial owner of these cash funds that I have full signatory authority and control thereof, and that such funds are available for immediate placement at my sole discretion.

I confirm and acknowledge, with full responsibility, that neither your company nor anyone working on your behalf has solicited me; that the documents that I shall receive shall not be deemed to be a solicitation of funds in connection with an investment program; and, that I am approaching you voluntarily for the purpose of securing participation in a bona fide Secure Private Placement Program.

I am prepared to instruct my bank to act upon the funds as required pursuant to the specifics of this program. In the case of Blocked Funds, it is my understanding the funds will be blocked and or reserved) in the account and they will remain, at all times, noncallable.

I hereby request information from you covering the terms, condition and procedures of a secured investment and look forward to commencing the transaction, upon my acceptance of the agreement.

Email, facsimile copies or photocopies of documents or agreements pertaining to this subject are declared and regarded as valid and equal to the original, provided they are represented by proper signatories. Originals may be obtained upon request.

I, (NAME), hereby swear under penalty of perjury, that the information provided herein is accurate and true as of this date: \_\_\_\_\_, 2013

For and on behalf of (NAME OF COMPANY)

Signature: \_\_\_\_\_ SEAL OF COMPANY

Name / Title:

Company:

Passport Number:

Date of Issue:

Date of Expiry:

Country of Issuance:

## AUTHORIZATION TO VERIFY:

This authorization is assigned to PROGRAM MANAGER so that the verification of the Asset is carried out successfully. Such verification will ALWAYS be performed BANK TO BANK as required by banking operations.

In order for an authorization of this type to be properly completed, it must include names, surnames and telephones of the bank officers in addition to their identification number. You must also send COPIA to these bank officials so that they themselves are aware of the moment in which the verification by the bank of the trader takes place.

## LETTER OF AUTHORIZATION TO VERIFY:

### AUTHORIZATION TO VERIFY AND AUTHENTICATE

DATE: \_\_\_\_\_, 2013

TO: Trade Authority / Program Manager

RE: Authorization to Verify

#### INVESTOR TRANSACTION CODE:

Know all men, by these that I, (NAME), at the address shown above, give you clear notice that you have my direct permission and full authority to do all matters necessary to confirm, verify, and authenticate my beneficially owned cash funds and/or application asset(s) and its associated good standing account status, in an amount of (SPELL AMOUNT) Euro/United States Dollars (€/\$\_\_\_\_\_,000,000.00) on a bank to bank basis. The below stated beneficially owned account is of good, clean, and cleared cash funds obtained via legal means, and is currently available at the bank coordinates below:

Cash Amount: (€/\$\_\_\_\_\_,000,000.00)

Bank Name: (NAME OF THE BANK)

Bank Address: (ADDRESS OF BANK)

Account Name: (ACCOUNT NAME)

Account Number: (ACCOUNT NUMBER)  
Account Signatory: (ACCOUNT SIGNATORY)  
Bank Officer & Title: (BANK OFFICER / TITLE)

COPY OF THIS AUTHORIZATION WILL BE LODGED AND  
PRESENTED TO MY BANK OFFICER.

In witness hereof I, (NAME), hereby swear under penalty of  
perjury, that the information provided herein is accurate and true as  
of this date: \_\_\_\_\_, 2013

For and on behalf of (NAME OF COMPANY)

Signature: \_\_\_\_\_

SEAL

OF COMPANY

Name / Title:

Company:

Passport Number:

C.C.: (NAME OF BANK AND BANK OFFICER)

## CIS (CLIENT INFORMATION SHEET)

Known as CIS, the Client Information Sheet is the document that identifies the Inverter with all its data.

This document will be essential to be able to present the transaction in the office of the trader and thus initiate a process of "Due Diligence".

## CIS MODEL (CUSTOMER INFORMATION SHEET)

### CLIENT INFORMATION SHEET

Directions: This document should be completed in full. If a line item does not pertain then insert the term: "N/A" (non-applicable).

#### Corporate Information

Full Name of Corporation:  
Date of Incorporation:  
Incorporated in (City/State/Country):  
Registration Number:  
Board of Directors (Name & Title):  
Officers (Name & Title):  
Shareholders:

#### Location of Address: Registered Address (Corporation)

Full Name of Corporation:  
Street Address: City:  
State: Country: Postal Code:

#### Location of Address: Mailing Address (Corporation)

Full Name of Corporation:  
Street Address: City:  
State:  
Country:  
Postal Code:

### Contact Information (Corporation)

Telephone Number:  
Fax Number:  
Mobile Number:  
Email Address:

### Languages / Translator

Languages:  
Does the Signatory speak English?:  
If No, Name of Translator:  
Tel Number: Email Address:

### Legal Advisor

Full Name:  
Company:  
Address:  
City:  
State:  
Country:  
Postal Code:  
Telephone Number:  
Fax Number:  
Email Address:

### Bank Information (Corporate)

Bank Name (where funds are currently on deposit):  
Street Address:  
City:  
State:  
Country:  
Postal Code:



Account Name:  
Account Number:  
Sort Code ABA No.:  
SWIFT Code:  
Account Signatory (1):  
Account Signatory (2):

Bank Officer # 1 Name:  
Bank Officer # 2 Name:  
Telephone Number:  
Fax Number:

**Client Account where Profits to be paid**

Bank Name:  
Street Address:  
City:  
State:  
Country:  
Postal Code:

Account Name:  
Account Number:  
Sort Code ABA No.:  
SWIFT Code:

Bank Officer Name:  
Telephone Number:  
Fax Number:

**Personal Information of the Transactional Signatory Authorized by Corporation**

(Please attach copy of the corporate resolution adopted by the Board of Directors appointing and authorizing said officer(s) below to represent and legally bind the corporation)

First Name:  
Middle Name:  
Last Name:  
Gender:  
Date of Birth:

Social Security Number:  
Country of Citizenship:  
Languages:

Passport Information of Officers(s) of Corporation  
\*Please attach copy of photo and signature page of passport

Passport Number:  
Date of Issue:  
Date of Expiry:  
Issuing Authority:

Location of Address: Home-Legal Residence (Officer of Corporation)

Full Name of Officer:  
Street Address:  
City:  
State:  
Country:  
Postal Code:

(You may duplicate the section above for each Director involved in transaction)

### Investment

Funds available for this transaction:

Type of currency:

Origin of funds:

Are these funds free and clear of all liens, encumbrances and third party interests:

I, (NAME), hereby swear under penalty of perjury, that the information provided herein is accurate and true as of this date:  
\_\_\_\_\_, 2013

For and on behalf of (NAME OF COMPANY)

Signature: \_\_\_\_\_ SEAL OF  
COMPANY

Name / Title:

Company:

Passport Number:

Date of Issue:

Date of Expiry:

Country of Issuance:

## NOTES AND TIPS

Today according to the financial possibilities that an investor possesses a financial instrument or any asset that can be banked using the financial engineering, we could use it as financial leverage and therefore to work it in the Secondary market.

There are many possibilities for generating cash to be used in the financing of projects in the real economy, if adequate banking channels are known and ways of using financial instruments.

Asian banks are now well aware of the dynamics of the collateralization of financial instruments, the monetization of them and their trading in the secondary cash market.

## END OF CHAPTER 1



### **CHAPTER 2**

#### **THE BANKING OF FINANCIAL INSTRUMENTS AND / OR ASSETS FURNISHED OR REAL ESTATE.**

#### **WHAT IS BANKING?**

Banking is to get our financial asset also called Assets of which we can mention among others the Bonds, Treasury Bills, IBOES or our movable or real estate assets like works of art, buildings, land, products called commodity (rice, sugar, soy , Gold, nickel, iron etc.), be taken as guarantee by Business Banks to increase their balance sheets and these in turn back with "full bank responsibility" the issuance of bank guarantees or SBLC (stand by letter of credit) in favor Of its depositors, being thus an applicant of such instruments

that are issued by means of interbank communication protocols (Swifts Mt 799 and Swift Mt 760), either directly or indirectly with other banks of better rating for their solvency and rating, To be able to do operations of trading in the secondary market.

While these instruments are being traded on the secondary market, Assets or property or property guarantees remain as collateral until the intended transaction is completed.

## **BANKING PROCEDURE**

Banking any type of asset and depending on its nature, has in each case its particular procedure.

For example:

**1.- To Banking Movable Assets** (Bonds, Treasury Bills Recharged from Brazil, American IBOES, etc.), the following documentation must be provided:

A.- Cis and Passport of the holder of Assets.

B.- K and C of the Asset holder. (Complete information on how the client acquired the Assets and source of funds that I use for this purpose)

C.- Experimentation of the Assets. (Such experimentation must be in original and made by expert recognized for such purpose).

D.- Financial valuation of Assets issued by recognized expert for this purpose.

E.- Pay the costs of Banking and the Costs of Deposit and Custody in a Security House that, generally, are linked to the banks of businesses that do the banking. These costs usually vary depending on the bank that does so because of the rating and solvency of the bank's full bank liability.

**2.-To Banking Assets** (Works of Art, Commodity, Gold, Nique, Copper, Aluminum, etc.), the following documentation must be provided:

A.- Cis and Passport of the holder of Assets.



B.- K and C of the Asset holder. (Complete information on how the client acquired the Assets and source of funds that I use for this purpose)

C.- Experimentation of Assets. (This experimentation must be in original and made by recognized expert for this purpose).

D.- Financial valuation of the Assets issued by an expert recognized for this purpose.

E.- Pay the costs of Banking and the Costs of Deposit and Custody in a Security House that, generally, are linked to the banks of businesses that do the banking. These costs usually vary depending on the bank that does so because of the rating and solvency of the full bank issuing bank liability.

These banking costs include the deposit and custody of the asset, the power to issue with the backing of the full bank responsibility of the bank that makes the bank guarantees and / or SBLC (stanby letter of credit), through SWIFT interbank communication protocols mt 799 and Mt 760, to be later monetized through credit lines and convert into cash these guarantees to operate in the secondary market by trading.

**3.- Para Bancarizar Activos Inmobiliarios (Edificios, Terrenos)** se debe aportar la siguiente documentación:

A.- Cis and Passport of the holder of Assets.

B.- K and C of the Asset holder. (Complete information on how the client acquired the Assets and source of funds that I use for this purpose)

C.- Valuation of Assets. (This assessment must be in original and made by an expert recognized for this purpose, authorized by the competent authorities that regulate the Professional appraisers in each country.)

D.- Be free of charges. (Do not have mortgages that affect the asset)

E.- Pay the costs of Banking and the Costs of Deposit and Custody in a Security House that, generally, are linked to the banks of businesses that do the banking. These costs usually vary depending on the bank that does so because of the rating and solvency of the bank's full bank liability.

## **BANKING COSTS.**

As we have already mentioned, the cost of banking will depend on the bank that does it and the "full bank responsibility" that can be

confirmed by the first-line correspondent bank, either European or Asian.

This bank responsibility is assumed by these banks with the payment of a significant percentage at the time of issuance of the BANK GUARANTEE or SBLC for subsequent discount or monetization.

Usually these bank costs that cover insurance and reinsurance range from 10% to 15% on the face value of the issued guarantee, and are paid when a monetizing bank discounts the guarantee. What is paid prior to the time of Banking these assets are the costs of deposit, custody and banking of the asset, which usually are around 600,000 euros including the costs of issuing bank swifts mt 799 and mt 760 backed by the bank that has Made banking.

The guarantee issued, not to be sent to the collection at maturity, is returned free of charge at the end of the year, reimbursing the line of credit with interest included.

In these cases only the financial returns obtained in trading operations in the secondary market are available, which is really the reason for this type of financial transactions.

## **MERCHANT BANKS.**

The Merchant Banks are growing at a dizzying pace, taking advantage of the need for financing that exists in the market, since traditional banking is not currently providing the required credit to companies and / or projects that are socioeconomically viable.

That is why the business model of these types of banks is very attractive for both the banker and the entrepreneur, because the guarantees that are constituted to return the capital are usually based on the joint administration of the important projects to Develop, and flowing synergies are beneficial to the parties.

Acquiring a business bank is simple. By means of law firms in Switzerland you can buy this type of bank licenses authorized by the central bank of the country where they are issued.

By using these banks, financial instruments can be acquired for themselves or in trust administration, to be banked and later to constitute bank guarantees to be able to operate in the secondary market.

## **ESCROW:**

**Definition:** It is a formal legal agreement voluntarily created and financed by a person (trustor) who directs another person (the trustee) to assume a legal title and control of the property donated by the trustor, to be used and administered for the benefit of a Or more persons designated by the settlor (the beneficiaries). The beneficiary of a trust receives from this income or distributions of assets and owns the equitable and forced ownership of the benefits, but does not control the assets of the trust or manage the operation of the trust.

## **THE HOUSES OF DEPOSIT AND CUSTODY OF FINANCIAL INSTRUMENTS (HOUSE SECURITY).**

House Security are usually offices with special security and designed for the custody of valuable documents and are authorized for this purpose, complying with the standards required by the Icontec custody, not only documents but also currency.

These House Security are almost always directly linked to the business banks and / or are part of the same business group.

## **DIFFERENCES BETWEEN SRK DEPOSIT IN CUSTODY OF SECURITIES, AND BANK INSTRUMENT, ACTIVE MOVEMENT OR REAL ESTATE.**

The custodial deposit SKR that issues a securities security house is the certificate issued by said security house due to the deposit in custody that has been left to the depositor client's safe deposit. These types of contracts are also often used to give representation and power to the security house to represent the owner of the security or depositor of the same in any transaction of purchase and sale of the asset.

Banking of a financial instrument or movable or immovable asset is the responsibility that the custodian bank takes directly from the assets deposited in the house security and takes them for itself, in its balance sheet, to be able to issue a bank guarantee or SBLC with "full bank Responsibility "in association with first-rate banks that have better solvency and bank rating, so that they can be monetized and / or discounted in the secondary market.

## **BANKING OF MOVABLE PROPERTY (WORKS OF ART). EXPERTISE AND INSURANCE.**

It is said that works of art are banked when they have complied with the protocol of deposit and custody in a house security, contributing the experience of the originality of the work and its respective insurance against all risks that must have while it is in the dependencies of the safe house.

From these times and according to the price for which the custodian bank or bank, which is usually taken at a price of between 40% or 50% of its current valuation, is issued the certificate Of banking of the same but already on the part of the bank.

This certificate gives rise to a bank guarantee that can work together between the custodian bank or Merchant Bank and the depositary client AND by means of confirmation from the bank, since such guarantee is confirmed by the Swift mt 799 interbank communication protocol and Mt 760, the guarantee can be monetized in the secondary market through own or third-party credit lines.

## **BANKING OF FINANCIAL ASSETS (HISTORICAL BONDS, LTNS OR NATIONAL LETTERS OF THE TREASURY OF BRAZIL). EXPERTIZACION, CETIP, CODIP, DOCUMENTATION, CERTIFICATE OF REPACTUATION, VERIFICATION IN THE CENTRAL BANK OF BRAZIL AND THE NATIONAL TREASURY, VERIFICATION AND HIGH IN BOVESPA (BOLSA DE BRASIL).**



With the national treasury bills of Brazil (Ltns), there has always been a lot of speculation and much fraud about the respect, since there are many CARECAS letters in the market, as they are called in Brazil to letters that are not REPACTED AND / Validated and accepted by the Government of Brazil as Treasury Debt.

In the Brazilian market there are many CARECAS Ltns, whose authenticity is only guaranteed by an expert report, made by an expert specialized in Brazil to attest to the experience of these titles. This experience of the letter is accompanied by the sealing inside a PLASTIC BAG with security tape of the numbered letter or LACRE SEALED. This identification number is referred to in the same EXPERT REPORT. Such sealing can't be violated because the expert's report and therefore the AUTHENTICITY OF THE EXPERTISE OF THE LETTER would be of no value.

The letters CARECAS only accompany a Certificate of the National Treasury and a Guide of Receipt. In some cases, some have a DOMAIN CHAIN, where the previous owners of the title are shown, as well as a Deed of Assignment signed at a notary's office in Brazil.

Trading with these letters in Brazil is very common in an informal market, but they are not accepted by any bank as a guarantee because they lack the PROCESS OF

RE-AGREE: This process, as i have already mentioned, is the Validation and Acceptance made by the National Treasury of Brazil as public debt.

Currently the National Treasury and the Central Bank of Brazil do not make official confirmations to give the authenticity of these CERTIFICATES OF REPACTUATION ISSUED BY THE NATIONAL TREASURY, but the Brazilian stock exchange, Bovespa, has internal mechanisms to verify this authenticity. That is why when it is intended to Bancarizar this type of instruments are asked to be discharged on the Brazilian Stock Exchange to have the convenience of being electronically verified by the banks that will make the instrument bank.

## **DEFINITIONS.**



**CODIP/ CETIP:** It is a codification given by the Brazilian Ministry of Public Treasury to the public debt assets that have been recognized as authentic, and of course up to that point have canceled the taxes of the declaration of tenure of this debt.

**CURRENT FACIAL VALUE:** The current face value of the security is given by the value that the National Treasury has recognized the title in mention, and usually this value refers to the value of the one that expresses the title as a bond.

Example: PURPLE LTN THAT HAS A VALUE IN THE TITLE OF 1.2 BILLION

CRUISERS. This value to the change in dollars is more or less equivalent to about 600 million dollars, although the treasure has recognized in its moment of renegotiation that at the end of the next 30 years cost 8.4 billion. This current face value can be taken as the benchmark for bankroll.

**VALUE OF REPACTUATION OR FUTURE VALUE:** This value is the amount that the Government of Brazil through the Ministry of Finance has accepted as liquidable debt at future value within 30 years. Usually in PURPLE LETTERS or H series, they have values equivalent to 8.4 Billion Cruises.

### **TITULARITY OF A LTN OF BRAZIL:**

It is important to know that to hold the title of a Brazilian Treasury Letter, if you are not a Brazilian citizen you should choose to found a partnership in Brazil, and this logically happens to have a Brazilian partner. These instruments can be traded or collateralized by means of notary powers where they are authorized to carry out any type of financial operation. But the time comes when you must transfer the ownership of the instrument if you want to sell and you will have to turn to the one who bought it so you can make the transfer to the Brazilian Ministry of Finance.

### **BANKING OF REAL ESTATE (BUILDINGS, HOTELS, COMMERCIAL CENTERS).**

Banking of real estate such as buildings, hotels, shopping malls or housing packages **in excess of 20 million euros**, can be Banked by the following procedure:

Each and every real estate asset must be free of charges. In addition the asset must be generating rent yield. From this moment an Insurance is issued to the whole package of real estate so that it is the insurance policy that is banked or used as collateral to be deposited in the bank. The bank can then issue a bank guarantee with full bank liability, confirmed by swift communication protocol Mt 799 and Mt 760, to be discounted in the secondary market.

### **BANKING OF COMMODITY NOT PERMISSIBLE (RICE, SUGAR, SOY, WINE, HAM, ETC).**

In the same way as a work of art or property is banked, we can banking non-perishable raw materials such as rice, sugar, soy, wine, ham, etc. The only difference is that instead of being deposited or stored in a Security House in safes (as the documents are kept), it is made in industrial buildings with similar security, and logically insured against all types of risk while the operation of trading is executed.

The banking procedure is the same as for the previous ones.

### **BANKING OF METALS (GOLD, COPPER, NICKEL, ETC).**

One of the main advantages of Banking an asset is to be able to work in the secondary market, to make profitability and to continue owning the asset.

That is why the holders of this type of precious metal assets, prefer to banking them to continue generating wealth, because they work for its owner.

The banking procedure is the same as that described for the other movable and immovable assets.

### **THE WARRANTS.**

#### **DEFINITION, THE PARTIES, DISCOUNT IN THE SECONDARY MARKET.**

#### **DEFINITION:**

The warrant is a contract or derivative financial instrument that gives the buyer the right, but not the obligation, to buy / sell an underlying asset (futures, etc.) at a given price at a future date also determined. In terms of operation, warrants are included within the options category. If a warrant is a purchase, it is called a warrant, and if it is a sale, it will be a put warrant. The warrant, as well as the options, give the

holder the possibility of making or not the associated transaction (purchase or sale, as appropriate) and the other party the obligation to carry it out. The fact of making the transaction is called "exercising the warrant".

### **DISCOUNT IN THE SECONDARY MARKET:**

This type of derivatives can be sold in the secondary market without banking them because by its nature of derivative financial instrument, any investor can buy the warrant to carry out the operation, since one of the main characteristics is that they have a lot of liquidity, and they have a limited life from 1 to 2 years.

### **NOTES AND TIPS**

The entire process of banking financial instruments will always depend on the payment of the costs involved. Banking an asset or financial instrument means being able to market it in the secondary market by means of guarantees or bank guarantees that can be issued by banks with the full responsibility of banks.

In short, to make money, you have to invest money.

### **COLLATERALIZATION OF FINANCIAL INSTRUMENTS OR ASSETS FURNISHED OR REAL ESTATE.**

#### **WHAT IS THE COLLATERALIZATION OF ASSETS?**

Collateralising a financial asset, furniture or real estate means that after being banked the bank uses it for itself and adheres to its balance as its own to issue a bank guarantee on its behalf, backed by the assets we have banked.

#### **PERCENTAGE OF COLLATERALIZATION OF AN ACTIVE:**

When a bank takes us a financial asset, furniture or real estate the percentage of the collateral by which it is taken almost never exceeds 50% of its current market value.

## **MARGIN OF MANEUVER AND MEASURING THE RISK AND VALUE FOR WHICH AN ACTIVE AS A GUARANTEE IS TAKEN.**

When the bank collateralizes a movable or immovable asset or takes it as collateral, it leaves a margin of maneuver of 40% or 50%, to cover in this type of business any possible contingency related to the associated risk in the event that they do not return the guarantees Which have been issued based on these assets free of charges at the end of the year.

## **INSURANCE AND REINSURANCE:**

The bank that collateralizes our assets, always establishes insurance of the operation and in turn reinsurance of policies of Credit Risk, to assure the risk of the operation.

## **NOTES AND TIPS**

The quality of the asset we give as collateral to the bank, is always linked to the percentage by which the bank takes it as collateral.

It is not the same to give in deposit for guarantee the Gold, the Copper or the Nickel, than a Shopping center for example. Most liquid assets are taken at more percentage of their market value as collateral.

## **GRAY SCREEN OPERATIONS**

In the world of Macro banking you hear a lot about Gray Screen operations.

They are operations that are usually very high amounts, and are carried out through direct communication protocols through the mechanism "server to server" (communication between computer servers), disclosing between the parties some access codes, and logically with the permission of bank officials.



"Server to server" operations, for their important amounts, are reserved for governments, foundations, banks, and millionaires of any sector that are aware of this fund-raising system.

Generally one of the reasons of the use of this form of transfer of funds, is that they do not appear registered in the financial system in the sight of the inspection agencies, and after the discharge do not leave electronic traces.

These operations, when made or downloaded from computer systems, must be authorized by the Currency Control Department of the country where the funds are entered and are usually used to make significant payments of raw materials and / or any type of commodity , for example oil, coal, etc.

The bank procedure always has to be based on the knowledge and authorization of the issuing bank or the sending bank, through its banking officer, and the bank must authorize this discharge to the receiving bank by means of a corporate and telephone mail between bank officials.

If this situation does not happen, that is, the issuing bank does not authorize the discharge in either case: either by mail or by telephone, we are incurring a felony bank fraud, and therefore the funds may be blocked by the receiving bank if there is no authorization from the issuing bank, without mentioning the legal problems in which we may be involved.

When the funds are blocked from the screen of the gray screen of the bank where these funds are deposited, in order to monetize them it is necessary that the company that makes them to use them as collateral has an active line of credit, and the blocking of funds is done by exchanging access codes between servers.

The documentation that is requested to be able to initiate the process of an operation of this type are:

- 1.- CIS AND PASSPORT OF THE FUND HOLDER
- 2.- K AND C OF THE FUND HOLDER
- 3.- SERVER ACCESS CODES.



4.- AUTHORIZATION TO VERIFY THE BANK OFFICER OF THE BANK WHERE THESE FUNDS ARE DEPOSITED, WHICH WILL AUTHORIZE THE CONFIRMATION OF DISCHARGE BY MAIL AS TELEPHONE.

5.- SIGNATURE OF CONTRACT.

6.- AUTHORIZATION OF THE DEPARTMENT. OF CONTROL OF THE FUNDS OF THE COUNTRY WHERE THE FUNDS WILL BE DOWNLOADED OR COLLATERALIZED AND MONITORED.

7.- EXECUTION OF THE OPERATION.

## **OPENING COMPANIES IN FISCAL HAVENS.**

The opening of companies and the consequent bank accounts that open in tax havens, are very necessary to be able to operate in the world of Macro banking.

Whatever your business purpose, this type of business and banking structure allows you to operate at lower costs and have a presence in important financial countries like Hong Kong, Singapore or Dubai, among others.

Hong Kong's ability to open a company and its bank accounts in prime banks such as HSBC, BANCO DE CHINA, STANDARD CHARTERED BANK or DBS BANK, among others, should be highlighted.

The costs of opening a company in this country can amount to 6000 euros with all the costs of opening bank accounts included and with virtual office.

Annually for the renewal of this company are paid 1,450 euros. Otherwise the taxes that are paid there are zero.

## **OPENING OF AN ASSET MANAGEMENT COMPANY**

A company Asset management is responsible for the responsible management of capital and corporate guarantees such as bonds and

shares by managing institutions such as banks to achieve the greatest benefits to investors.

Unlike financial advice, asset management is not only a way of having investment advice, but it is also a relevant activity of asset management institutions, which must make decisions about the management of investments.

The center of this type of commercial banking business is the management of assets from private companies and national or foreign companies whose assets can be presented in the form of shares, pension funds, real estate and liquid assets.

The objective of asset management is present in the management of clients' investment portfolio taking into account their risk situation.

In Switzerland we can open an Asset Management company, and at the same time, the bank license that allows us to establish an offshore bank with all banking services, including the founding of a House Security, and trust company, Costs Of the banking license with the company Asset management are around 200,000 Euros. For this, I would like to recommend a very experienced and serious person in the field of acquiring offshore banking licenses called Andrea Paredes Von Roth, Expert Chilean Elite Sportsman and Guru of Finance, Owner and CEO of the company Moneda Management llc.

<http://www.monedamanagement.com/>

## END OF CHAPTER 2

## CHAPTER 3

### THE ISSUANCE OF BANK SWIFTS.

When a Swift bank is issued, it is made against the guarantee of an Asset or Asset that supports the Swift.

These assets can be:

**Cash:** when the guarantee is Cash backed.

**Ltns or bonds:** when the guarantee is the blocking of a bond or ltn whose authenticity is verified and endorsed by the issuing bank.

**Example of a Swift text** when the guarantee is a Brazilian Ltn and the bank confirms its blocking by Swift Mt 760. (See Fig. Bank Caye International Bank).

**Example of a Swift text**, when the guarantee is Cash Backed.

**Text of the Swift Mt 799:** Notice sent by the Bank Issuer to the Recipient Bank

**Swift Text Icpo:** Response sent by the receiving bank, committing itself to the

Monetization and irrevocable payment agreed in the previous contract, conditioned to receive the MT 760.

**Text of Swift Mt 760:** Sending of the Guarantee by the issuing bank to the receiving bank usually with a maturity of collection at 1 year and one day. This guarantee must be transferable, divisible, irrevocable, with payment at first demand and confirmable between banks through their banking officers.

**Text of a BCL:** (BANK CONFIRMATION LETTER), is a bank confirmation letter where, prior to sending the Swift Mt 799 and Mt 760, the bank issuing the guarantee confirms that it is ready and ready to issue said Swift banks in favor of their client and that the funds are clear, clean and transparent as well as the willingness to verify from bank to bank among bank officials the veracity of the same.

**(See below image Swift Texts 799-Icpo-Mt760 and BCL)**



## TEXTS OF SWIFT MT799- ICPO-MT760 & BCL



# Swift Mt 799

## **Model: Icpo (Irrevocable payment order)**

# Swift Mt 760

## **THE APPLICANT AND THE BENEFICIARY ON A BANK GUARANTEE.**

### **THE APPLICANT:**

The applicant in a Bank guarantee or in a SBLC (Stand by letter of credit), is really the owner or owner of the guarantee, for which the issuing bank is supporting its issuance.

For this, and previously, this owner has had to constitute to the bank issuing the same the necessary and sufficient guarantees for the bank to assume in his name such responsibility.

### **THE BENEFICIARY:**

The beneficiary in a Bank Guarantee or in a SBLC (Stand By Letter of Credit) is the natural person, legal entity or Bank that will make the discount of said guarantee, and that therefore has available an Active Credit Line to be able to execute the Discount and at the end of the year send it to the collection.

### **TRANSIT OF A BANK SWIFT.**

The transit of a bank Swift depends on whether the issuing bank is accepted by the receiving bank as a solid bank with an acceptable rating or rating or is one of the 50 best banks in the world, called TOP 50. If it is not so and the bank needs to rely on a correspondent bank of these characteristics, then the bank will finally transit through the bank that reconfirms that guarantee with the end-bank's endorsement.

Example:



### **FULL BANK RESPONSIBILITY.**

It is the payment responsibility assumed by the issuing bank that confirms a bank guarantee, SBLC, Letter of Credit, or any type of guarantee on behalf of its client, which in turn has had to deposit the necessary guarantees for it.

Many times this banking responsibility is shared by the banks that are at that moment associated with assuming the responsibility of this guarantee.



## **SWIFT 199 / SWIFT INFORMATION OR PRE WARNING.**

They are Swift with free message format, or Swift of informative messages. They are used in this case to inform the receiving bank that the issuing bank is willing and ready to send a bank guarantee through the Swift Mt 760 communication protocol, and that therefore the receiving bank needs to reply that it is willing to receive the Bank guarantee and monetize it.

The model of this type of Swift also applies in the Swift Mt 799, since both are Swift formats of free message.

### **SWIFT 999:**

Like the Swift 199, it has exactly the same usage and definition, since they are Swift with free message formats.

The difference with a Swift 799 is actually the lower bank cost of issuance.

### **SWIFT MT 799:**

It is a Swift format of free message just like Mt 199 or Mt 999, but it has more relevance with respect to the information it transmits as free message pre-notice.

### **SWIFT MT 760:**

It is a Swift guarantee. It is used to send a bank guarantee or a SBLC to the receiving bank, where it needs to be taken as collateral and discounted in the secondary market.

## **NOTES AND TIPS**

It is very important that before initiating any interbank communication by issuing Bank Swifts, to ensure that the issuing bank will send the corresponding Swift Mt 799 and Mt 760 guarantee, we require that the issuing bank first issue a bank confirmation letter or BCL signed by two banking officers, where they are informed that they are willing to issue a bank guarantee for a certain amount in favor of their client, and

that this letter is confirmed between banking officers from bank to bank.

## **BANK GUARANTEES THAT ARE ONLY CONFIRMED BY DTC OR EUROCLEAR**

The fact that a bank takes as collateral financial instruments that are only confirmed by Dtc and / or Euroclear has its limitations, since the blockages made by Euroclear and Dtc are made by Screen or Windows Time, which is the blockage that can be made in Determined moment in time on an open screen, in common agreement with the banking officers.

### **EUROCLEAR DEFINITION:**

**Euroclear:** is the financial services company, based in Belgium, specializing in the liquidation and custody of securities. It was founded in 1968 as part of JP Morgan & Co, to settle operations in the Eurobond market and then to develop them.

Euroclear liquidates national and international securities transactions, including bonds, derivatives, shares and mutual funds.

Euroclear provides financial services to more than 90 countries worldwide, as well as being a principal depository of securities.

From 1968 to 2000, the Euroclear system was managed by JP Morgan Guaranty Trust, a New York company that was part of JP Morgan & Co. In 2001 the company MGT transferred the company to Euroclear Bank.

### **DTC DEFINITION:**

The DTC's subsidiary, the Depository Trust Company (DTC), established in 1973, was created to reduce costs and provide clearing and settlement of efficiency by immobilizing the securities and making "scriptural" changes to ownership of securities. DTC provides securities movements for the NSCC net settlement and liquidation of institutional transactions (which generally involve money and securities transfers between custodian banks and agents / distributors) as well as money market instruments.

In 2009, transactions worth more than \$ 299 billion were established in DTC, and 299500000 entries were processed. In addition to settlement services, DTC brings efficiency to the securities industry by retaining custody of more than 3.5 million securities worth nearly \$ 34 billion, including securities issued in the US. And more than 120 foreign countries and territories.

### **PROCEDURE FOR ISSUANCE AND CONFIRMATION OF A BANK GUARANTEE BY DTC WITH THE INTERNAL COMMUNICATION PROTOCOL MT 799 AND MT 760.**

When a bank guarantee is issued by the DTC system, an internal database that is accessed electronically between banks to be verified

and blocked by a Windows time, it is necessary that in real time access the two bank officials of both the issuing bank and Of the bank that is interested in taking the guarantee, and block to be able to discount or monetize.

EXAMPLE OF A BANK GUARANTEE ISSUED BY DTC WITH ALL ITS ANNEXES:











### **Swift model that is sent by DTC:**

To :

Attn :

Subject :

We, (...), located at (...), do hereby confirm with full legal and bank responsibility that, on the date of this letter, your good self, (...), represented by Mr. (...), holder of (...) Passport Number: (...), as authorized account holder and signatory maintains and currently has on cash deposit with us € 500,000,000.00 (Five Hundred Million Euros) in the account (...).

Such funds are unconditionally and irrevocably blocked, at the transmission date of this SWIFT Message, for a period of One (1) year and One (1) month for investment purposes in favor of (...). Also, we confirm hereto that the fore captioned blocked fund in our Bank custody will not be changed, altered, amended or pledged for a period of One (1) year and One (1) month commencing from the date of this SWIFT or until completion of the above investment, if less than the aforementioned One (1) year and One (1) month.

We further confirm, that this Cash deposit is known to us and has been legally acquired, clean, clear, non-criminal origin and though various trade related businesses and are free of any liens and encumbrances and are freely transferable upon the instructions of the authorized signatory.

This is an OPERATIVE BANKING INSTRUMENTS and this SWIFT message may be confirmed on Euroclear & DTCC screen only.

Kindly acknowledge receipt of this SWIFT within twelve (12) hours of receipt hereof.

Thanks for your co-operation.

ACCEPTANCE ACKNOWLEDGEMENT:

Sincerely,

For and on behalf of (...).

Bank Officer's Signature  
Officer's Signature  
Mr.  
Title

Bank  
  
Mr.  
Title

## **BANKING SWIFTS ISSUANCE COSTS:**

As we have discussed during the course development, the costs of issuing a bank Swift depend on what is sent. For example if you send a Swift mt 199, mt 999 or mt 799, which are informational Swift, these Swift really have the cost that the bank wishes to charge the customer as a service more than transmission of data, and can be about 100 Euros .

The cost of issuing a bank guarantee issued in a Swift Mt 760 interbank communication format usually costs between 0.5% and 5% of the total face value of the guarantee, and its cost will fluctuate according to the rating And solvency of the issuing bank.

## **NOTES AND TIPS**

Leverage through bank guarantees is the most used in the secondary market to obtain the liquidity that is invested in the real economy to companies.

Unfortunately there are many opportunists in the market who claim to issue these types of instruments when they do not, but when it is done with the right and serious ways, it is a real opportunity to develop business and humanitarian growth.

## **ISSUING BANKS AND THEIR CORRESPONDENTS.**



When a second-order issuing bank issues a bank Swift with "full bank Responsibility "and needs to reinforce this responsibility by a first-class bank, it is necessary to establish an internal agreement between banks for the responsibility to be shared and endorsed. In this way the monetizing bank has clearer the operation of its monetization or discount.

Usually banks collaborate with each other to provide a more efficient service to the client. Therefore they establish agreements by correspondence, even to endorse a full bank responsibility of a Swift Mt 760. In this way the conditions of risks are covered and they can do it without problem.

## NOTES AND TIPS

When establishing an agreement between banks for the correspondence of products and banking services, the main responsibility is given by the first issuing bank to the correspondent bank. This is the one that has to form internally the necessary guarantees for the correspondent bank, if it is going to use it as guarantor in an operation of emission of bank guarantees.

### END OF CHAPTER 3

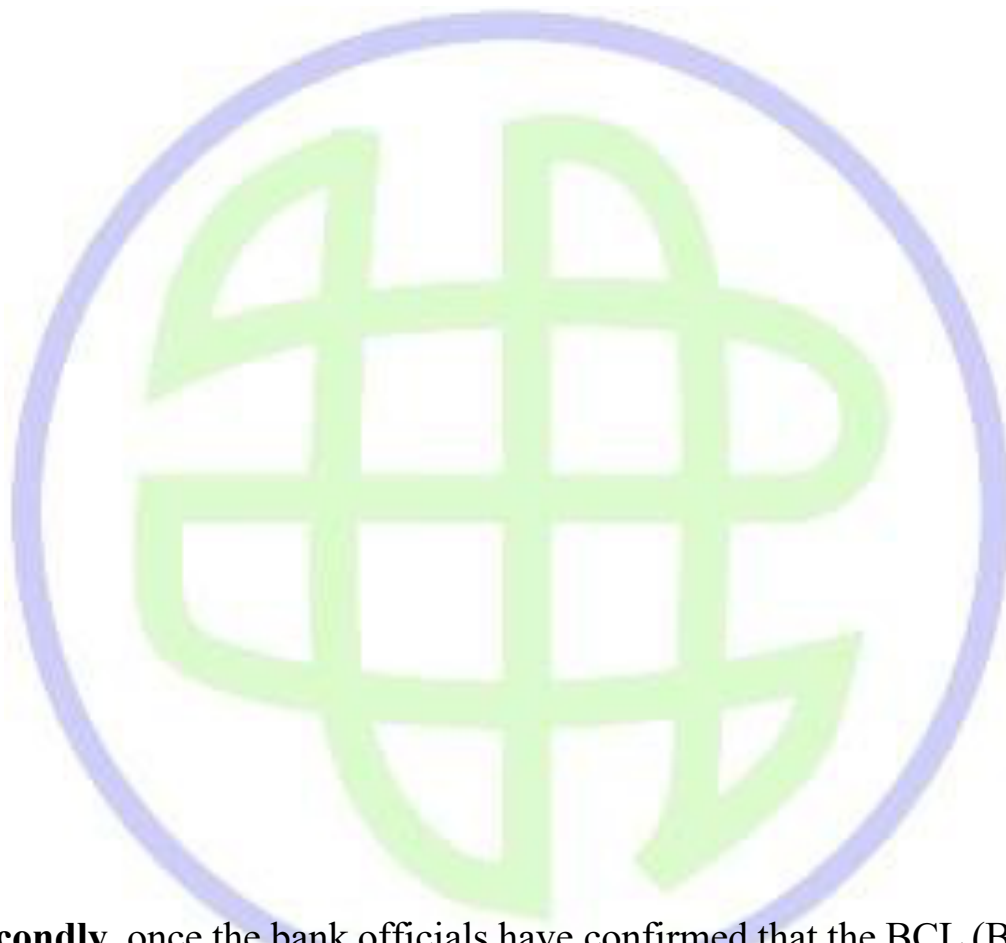
## **CHAPTER 4.** **MONETTIZATION AND / OR DISCOUNT OF A BANK SWIFT.**

The process of monetization and / or discount of a bank Swift is simple provided that the necessary steps are **rigorously** followed.

**In the first place**, the company that has an active credit line and which will handle the discount of the Banking Guarantee or Stan by Letter of Credit by sending a communication protocol Mt 760 by the issuing bank, will require the company (BCL), which is a bank confirmation letter, where the issuing bank is confirming that with the "full bank liability of the bank" they are prepared and ready to issue a SBLC or a BG for A certain value in euros or dollars, in favor of his client, with

his name and with his account number, in favor of the company that will make the discount, ie the beneficiary of the BG or SBLC, which is the company that discounts or monetizes it.

**See the graph as an example:**



**Secondly**, once the bank officials have confirmed that the BCL (Bank Confirmation Letter) is correct and true, a contract is signed between the parties (investor and monetizer) to initiate the interbank communication protocol through Swift Mt 760, preceded by a Mt 799 notice. When the advance notice of the receiving bank is sent, an Icpo (irrevocable payment order conditioned to receive the guarantee by means of Swift mt 760) must be answered in order for the receiving bank to monetize the guarantee according to the terms of the contract.

**See the graph as an example:**

## NOTES AND TIPS

The percentage of monetization of a bank guarantee or SBLC, sent through the Swift Mt 760 communication protocol, will depend on the rating and the solvency of the issuing bank, and said monetization

according to this rating will be deducted between the percentages of 50% 90%.

## **INVESTMENTS IN PRIVATE INVESTMENT PROGRAMS (PPP)**

Participation in private investment programs, so-called PPPs, usually comes from the monetization of a financial instrument (BG or SBLC). With the monetization percentage of said instrument, a first-rate bank is signed when it is made directly (HSBC, STANDARD CHARTERED BANK, BANK OF CHINA, etc.), and in the commercial office of these banks through a trader, to Participate jointly with the bank in investments in the secondary market. The yields obtained are usually distributed to 50% between the investor and the trader.

These investments in the secondary market are usually made in the purchase and sale of financial instruments (Mtns, BGs, Sblc, shares ...), and also in the purchase and sale of commodity by trust companies (rice, sugar, soy, Petroleum, precious metals, nickel, copper, etc.).

The financial returns that are obtained in the commercialization (purchase and sale) are those that are invested in the real economy for the financing of business and humanitarian projects.

## **PROCEDURE FOR SIGNING WITH A BANK A PRIVATE INVESTMENT PROGRAM THROUGH A TRADER.**

When we already have the monetization of a financial instrument (ie cash), we sign with the Trader a JV (joint venture), or investment agreement for the purchase of commodities or financial instruments in the secondary market.

The Trader offers us a moderate minimum yield of 50% of monthly financial returns on the investment we have made with cash.

It is important to mention and clarify that these percentages of financial returns will depend on the amount of cash with which we are participating. This 50% would correspond to an investment of at least 100 million euros.

Financial returns are payable month by month, and when we sign a 40-week program, financial returns are liquidable according to the

agreement with the bank, but as we have said, the minimum is usually 50% monthly.

When you participate in Spots (specific operations of some purchase and sale of oil

And / or derivatives thereof), yields are generally higher and shorter

Participation in investment.

## **ACCOUNTS OPENING:**

When participating in private investment programs with first-order banks with the above procedure, the bank performs the respective opening of bank accounts to the participants in the trading operation, ie those that have to do with the financial transaction. Among them are the applicant of the guarantee, the monetizador of the guarantee, and in special cases the one that has participated like contributor in the financial leverage in payment of the emission of the bank Swift Mt 799 and Mt 760

The documentation that is necessary to provide for the opening of any bank account in any of these banks of the first order are:

### **For a company:**

- 1.- A notarized copy of the company's articles of incorporation.
- 2.- Cif notarized of the company
- 3.- Notary copy of the legal representative's passport.
- 4.- Copy of the notarized cis of the legal representative.
- 5.- Copy notarized of proof of address or habitual residence.
- 6.- Sworn translation in English of all previous documentation, approved by the consulate of the country of origin of the legal representative, at the place where the account will be opened, and / or apostille of the beech.

### **For a Physical Person:**

- 1.- Copy of notarized passport
- 2.- Notary copy of the proof of residence or habitual residence (can be a receipt of the light, telephone or gas of your residence).
- 3.- sworn translation in English of the previous documents.

## **NOTES AND TIPS**



When opening any of the account types, whether of company or personal, it is advisable to make a deposit of at least 1000 Euros. Asian banks are charged for access to the electronic banking service, and this cost can range from about 30 or 50 euros per month.

## **FINANCIAL INCOME IN THE PARTICIPATION IN A PRIVATE INVESTMENT PROGRAM**

With respect to the financial returns obtained in the participation in a program of private investment (PPP), much is speculated with respect to the percentage of the same. There is talk of yields of 100%, 200% and 300%, when in reality the financial performance will depend on the opportunity the market exists for the trading bank at that time, with respect to the investment of the buy and sell ).

It is true that in a timely operation of oil or its derivatives and / or in any other type of commodity, you can earn very important percentages. But that opportunity is not constant. It is therefore more convenient to speak of moderate returns, in the environment of 50% monthly, which in any case is not bad.

### **HOW IS THAT 50% MONTHLY?**

This 50% monthly return is generated from the average of each and every one of the purchases and sales made by the trading bank participating in operations in the secondary market.

### **HOW IS THIS MONTHLY PERFORMANCE DISTRIBUTED WHEN RECEIVED?**

This leaves the liquidity that is offered to inject liquidity into the real economy.

When signing the participation contracts or JV (joint venture), this percentage of 50% monthly financial income is distributed to 50% between the owner of the line of

Credit and the owner of the financial instrument that has collateralized the line of credit.

That is, each group is given yields of 25% per month.

And of that 25% of the side of the one who has put the financial instrument, usually if there is an investor in the leverage of the Swift bank issue, this yield is granted a loan to finance a business or humanitarian project.



## **TIMES THAT ARE MANAGED TO RECEIVE SUCH FINANCIAL INCOME.**

When the issuance of a bank guarantee through the Swift Mt 760 communication protocol preceded by a Mt 799, followed by the response of the receiving bank of an ICPO, and subsequent monetization of the guarantee, is generally established for a period of 15 days To obtain such monetization. Subsequently the financial returns are received as a result of the investment of this cash obtained in the monetization of the financial instrument (BG / SBLC). From this moment the financial returns are received month by month.

## **FINANCIAL INCOME PAID BY PAY ORDER IN THE FOLLOWING 3 DAYS?**

This practice of issuing "pay order" or post-dated payment orders to pay for future income is quite delicate and usually is not done. By banking regulations, banks do not do this, but they are usually found by the foundations that operate as financial platforms and have lines of credit to monetize instruments supporting humanitarian projects.

These pay orders are corporate, they are not banking talanes. It is equivalent to saying that I issue you a promissory note from my company when you cover the monetization of the bank guarantee. The advantage at least of having a corporate "pay order" is that it generates tranquility in the sense that it is going to charge the agreed upon.

## **NOTES AND TIPS**

In any case, having a corporate pay order from the foundation that is currently acting as a financial platform in the trading operation gives the opportunity to negotiate a discount of the same in the secondary market.

## **INVESTMENT IN THE REAL ECONOMY WITH CASH OR FINANCIAL INSTRUMENTS.**

As we have seen before, we are aware of where the cash used to invest in business and / or humanitarian projects comes from.

But when you can invest in the real economy by directly using financial instruments in business or humanitarian projects, these instruments are used as guarantees or guarantees for a bank to provide us with financing in a given time and in accordance with the socio-economic feasibility of the project .

The use of these financial instruments as collateral for the attainment of bank credit implies making clear in the financial cost of the company the cost of rent or financial leverage necessary to take this service.

Usually taking this service has an annual cost whose fork is between 12% to 15%, depending on our supplier of guarantees to be used to free the line of credit and finance the project. As a business project normally is not recoverable the investment in the first year, it becomes necessary for the bank to renew this guarantee, and therefore we have to make a financial projection of this cost for at least the next 4 years.

The cost of continuing to obtain this guarantee for the following years will decrease more or less in the following percentages:

First year: 15% on the face value of the guarantee or credit that is guaranteed.

Second year: 12% of the face value of the guarantee or credit that is guaranteed.

Third year: 10% on the face value of the guarantee or credit that is guaranteed.

Fourth year: 9% on the face value of the guarantee or credit that is guaranteed.

Fifth year: 8% on the face value of the guarantee or credit that is guaranteed.

### **COUNTER GUARANTEES:**

When issuing these guarantees that guarantee business and / or humanitarian projects, the issuer of the guarantee may request a counter-guarantee from the guarantee it is providing.

Usually it is the pledge of the shares and / or the asset acquired in the society with the cash that is being endorsed.

## **WHAT RESPONSIBILITY DOES THE ASSISTANT OR OWNER OF THE BANK GUARANTEE ACCRUING THE CREDIT FOR THE BUSINESS AND / OR HUMANITARIAN PROJECT?**

The responsibility is total, since at the moment that the company that receives the credit stops paying the bank the fees of the same, the bank will collect the bank guarantee that is backing the credit.

That is why banks today prefer liquid guarantees, such as a bank guarantee, because by making the guarantee effective can be charged at first requirement without going through a lengthy and expensive legal process.

For this reason the Financial Professional that acts in the consultancy of the companies that require these endorsements to obtain financing of business projects, must ensure that these projects comply with all the socio-economic feasibility standards to avoid that they subsequently fail, since With this they can drag in the same way many actors of the process.

### **NOTES AND TIPS**

There are many benefits that can be obtained from the secondary market, and in particular on this point on bank guarantees. Therefore we must know how to make good use of them. With the bad banking practices we are doing we are discrediting the sector of specialized financial advisors in Macrobanca, and at the same time we are responsible for the bad effects that happen economically to banks and investors who own bank guarantees. By winning a major commission now we do not have to sell soul to anyone. The consequences can be dire.

## **END OF CHAPTER 4**

## **CHAPTER 5.**

### **WHAT IS A DUE DILIGENCE?**

The term "Due Diligence" is used for concepts that imply the investigation of a company or person prior to the signing of a contract or a law involving careful diligence. It may be a legal obligation, but the term is more commonly applicable to voluntary investigations.

An example: Due diligence on an industry or company is the process by which a potential buyer evaluates an industry or target company, or its assets, for a later acquisition.

In our case it would be the evaluation process that is done to a potential investor when it wishes to participate in a Private Investment Program (PPP), either with cash or by providing a financial instrument such as a Bank Guarantee (BG) or a SBLC (stand by letter of credit) to be discounted in the secondary market through an active line of credit.

### **WHY A DUE DILIGENCE?**

The capital movement that exists in the Macrobanca business is very susceptible to auditing or voluntary investigations, not only for the amounts that are moved but also for compliance with the Patriot law that the US government demands for control Of the financing of terrorism in the world.

We must be aware that European and Asian banks cooperate with this control of capital in the world, and that is why every time we allow our data to be consulted or investigated this information goes back to the secret agencies of the United States Such as INTERPOL or the FBI.

### **PATRIOT LAW**



The US PATRIOT Act is an American legal text promulgated on October 26, 2001. It was approved by an overwhelming majority by both the House of Representatives and the US Senate after the attacks of 11 Of September of the year 2001.

The purpose of this law is to expand the state's control capacity to combat terrorism by improving the ability of the various US security agencies to coordinate and provide them with surveillance against terrorist offenses.

Also the law also promulgated new crimes and hardened the penalties for crimes of terrorism.

The Patriotic law has been harshly criticized by various human rights organizations and organizations because of the restriction of constitutional freedoms and guarantees it has meant for citizens of both the United States and foreigners.

## NOTES AND TIPS

In a "Due Diligence" in our field, what is investigated is the origin of the funds that gave rise to being able to issue a bank guarantee (BG) or SBLC.

That is why it should be clear in the client's K and C, that the applicant of a bank guarantee clearly explains where the funds went to constitute this type of collateral or banking collateral.

### **CONFIDENTIALITY AGREEMENT:**

The NON-DISCLUSION AGREEMENT (NDA) is a legal agreement between at least two parties to share confidential material or knowledge for certain purposes, but restricting its public use.

An NDA creates a relationship of confidentiality between participants to protect any trade secret. Therefore an NDA can protect information from a private company.

NDAs are usually signed when two companies or individuals agree on a business relationship and need to understand the processes used in the other company for the purpose of assessing the interest of that

relationship. Confidentiality agreements may be mutual, so that both parties have restrictions on the use of the information provided, or may affect only one party.

For our case in the MACROBANCA business, confidentiality contracts are usually signed very frequently, because either party requests that their professional secrets, or proof of funds, or client funds, or financial capacity of the companies of been protected by such contracts.

It is of special relevance in this business not to reveal the sources or contacts for the execution of the financial operations.

### **MODEL OF A CONFIDENTIALITY CONTRACT**

**MUTUAL NON-CIRCUMVENTION & NON-DISTRIBUTION AGREEMENT ISSUED BY AND BETWEEN:**

1. Miss xxxxxxxxxxx & 2. Mr. xxxxxxxx ,3.Mr xxxxxxx 4. Mr xxxxx

**NON-CIRCUMVENTION, NON-DISCLOSURE AGREEMENT**  
("this NCND")

Month July of 1 day , 2013

This NCND is intended to regulate the relationship between the signatories to it ("the Parties"), who intend to enter into various business transactions ("the Mutual Transactions") together.

The terms of the Parties' co-operation are as follows:

1. The Parties agree that they (and all associates, partners, corporations, employees and agents over which they exercise control) shall not, for a period of FIVE (5) years from the date of



this Agreement, attempt, directly or indirectly, to contact the others' business and professional sources or contacts (including banks, investors, sources of funds, etc.) ("Business Sources"), or negotiate with any of the other Parties' Business Sources, except through the relevant other Party, or with the express written consent of the other Party as to each such Business Source.

For the avoidance of doubt, this means that the Parties shall not contact, deal with or enter into business transactions with any Business Source provided by another Party unless written permission has been obtained from the other relevant Party disclosing the same.

The restrictions stated above shall not apply when one Party had a previous active business relationship with the relevant other Party's Business Source in the previous 2 (two) years. Should either party be introduced through an independent source to any contact already engaged with either party, the opposite party must go through the parties governed by this agreement or, get written permission to engage with that contact.

2. The Parties agree not to disclose any of each others' Confidential Information to anyone else, unless specifically authorized in writing by the relevant other Party. For the purposes of this NCND, "Confidential Information" shall mean any kind of clearly private, sensitive or confidential information including (without limitation), unofficial or highly personal information relating to any of the Parties, and information of whatever nature regarding the business arrangements of any of the Parties themselves or their employees, clients and associates, including business workings, plans, fee agreements, contracts, banking and account information and/or literary works such as manuscripts, screenplays, treatments and synopses.

The requirements of this NCND as regards to Confidential Information shall not apply to any information which has been legally put into the public domain, or when a Party legitimately learns of the Confidential Information in question by a wholly independent third party in good faith at some point in the future.

3. The Parties agree to use all reasonable endeavors to ensure that, in matters relating to fee sharing on the Mutual Transactions, a suitable fee protection agreement is negotiated in good faith

between the Parties and entered into accordingly, so that all Parties are appropriately remunerated.

4. The Parties herewith irrevocably agree that, unless otherwise specifically stated in writing at some point in the future, they do not assume any responsibility for the Mutual Transactions they enter into, and shall not hold each other liable for any reason associated with them.
5. Electronic and/or faxed and/or postal and/or courier signature and transmission of this NCND shall. All be fully valid, legally binding and enforceable in respect of all of its provisions.
6. This NCND shall be governed by, and construed in accordance with, English law U.K. - and the Parties hereby submit to the exclusive jurisdiction of the U.K courts.
7. Nothing in this NCND shall be construed as creating any form of partnership or employee/employer relationship between the Parties.
8. Except as otherwise provided and/or supplemented by the terms of this NCND, the relationship of the Parties shall be governed by the terms of the International Chamber of Commerce's Publication No. 619 (which deals among other things with non-circumvention issues).
9. Unless otherwise agreed between the Parties in writing at some point in the future, each of the Parties shall be responsible for covering its own expenses incurred in respect of the Mutual Transactions.

**ACKNOWLEDGED AND ACCEPTED BY:**

.....

Name:, **Mr. xxxxxxxx**

Passport Number/Nationality: US Passport No. xxxxx (Copy attached)

Company Name: xxxxxxxxxxxxxxxxxxxxxxxxx

Address: xxxxxxxxxxxxxxxxxxxxxxxxx Hong Kong Date: July 2, 2013

Phone : US (xxx) xxxxx

HK (xxx) xxxxxxxx

E-Mail: rooss@xxxxxxxx.com

AND

.....  
.....  
Name: Miss xxxxxxxxxxxxxx  
Passport Number/Nationality: xxxxxxxxxxxxxx  
Company Name [or personally]:  
Address: xxxxxxxxxxxxxx  
Position: Phone: xxxxxxxxxxxxxx  
E-Mail: xxxxxxxxxxxxxx  
Signed Date: July 15, 2013  
Company Seal & Signature:

.....  
And  
.....  
.....

Name: Mr. xxxxxxxx  
Passport Number/Nationality: xxxxxxxx / xxxxxxxx  
Company Name [or personally]:  
Address: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx  
Position: Phone: + xxxxxxxxxxxxxx  
E-Mail: xxxxxxxxxxxxxx  
Signed Date: July 15, 2013  
Company Seal & Signature:

.....  
And  
.....  
.....

Name: Mr xxxxxxxxxxxxxxxxxxxxxx  
Passport Number/Nationality: xxxxxxxx  
Company Name [or personally]: xxxxxxxx  
Address: xxxxxxxx.  
Position: xxxxxxxxxxxxxx  
Phone: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx  
E-Mail: [mail@gmail.com](mailto:mail@gmail.com)  
Signed Date:july 15/2013  
Company Seal & Signature:

## NOTES AND TIPS

Confidentiality agreements are frequently used in business relationships to safeguard the disclosure of unauthorized information

that is likely to cause any kind of economic or moral harm to companies or individuals.

Confidentiality agreements signed through the internet through the electronic signature have the same validity as if they were signed in person.

### **JOINT VENTURE CONTRACT**

It is understood as a "joint venture", and is a type of long-term joint venture investment agreement between two or more parties (usually legal entities). A Joint Venture does not have to constitute a separate company or legal entity. In Castilian joint venture literally means "joint venture" or "joint venture". However, in the legal sphere, this meaning is not used. Terms such as "strategic alliance" or "commercial alliance" are used, or even the term itself in English.

The joint venture is also known as "joint venture," when two or more companies come together to form a new one in which a protocol is used taking into account the best tactics in the market.

The objective of a "joint venture" can be very varied, from the production of goods or the provision of services to the search for new markets or mutual support in different links in the chain of a product. It will be developed for a limited time in order to obtain economic benefits for the parties.

To achieve the common objective, two or more companies agree to make various contributions to this common business. The contribution of the parties may consist of raw material, capital, technology, market knowledge, sales and distribution channels, personnel, financing, in short: capital, resources or the simple know-how. Such an alliance shall not imply loss of identity as a legal person of each party.

### **CHARACTERISTICS OF THE JOINT VENTURE**

The principle of wanting to form a Joint Venture is to unite knowledge, skills and resources in turn sharing profits and risks.

There are no requirements on how to act together. Companies can sign a collaboration agreement, set up a UTE (recognized by Spanish and Argentine law), or even found a company in which the parties participate.

These types of partnerships are generally established in the medium or long term, since the objectives they seek are not simple to achieve

and require a lot of planning and execution, so doing so in the short term would represent too many difficult costs.

It is a distinctive feature of a joint venture, which its members (called "ventures") maintain their identity and independence for the joint venture, as well as for the other Venturers. There is no merger or absorption to implement the joint venture. It can also happen in the case of venturers joining only for very specific things, such as the creation of a new product or the streamlining of an assembly line. The difference between a joint venture with a new company, and a merger between two, is that in the case of the joint venture, companies A and B come together to create a company C. There are now three companies. This modality is identified as a joint or corporate joint venture. Instead, in a merger (merger), company A (merged) merges with company B (merger) and the result is now a single company, the merged company.

In a "joint venture" the partners continue to operate their businesses or companies independently. The joint venture is a business whose profits or losses will be reported in the profit and loss account of each party, depending on the legal form with which the joint venture itself has been structured.

It should be clarified whether the Joint Venture involves only the strategic partnership between private companies or whether the concept is applicable to private companies in conjunction with national, provincial or municipal public administration organizations. If this is possible, the integration of private capital with public investment would bring great benefits to States, especially when these joint actions take place in the area of science and technology.

### **JOINT VENTURE CONTRACT MODEL FOR ASSETS AND ISSUANCE DEPOSIT OF BANK SWIFTS MT 760.**



Date.....

## TOGETHER

On the one hand, Mr xxxxxxxx, of nationality xxxxxx domiciled at xxxxxxxxxxxx

CP: xxxxxx, for the purposes of this document, and provided with a nationality passport

Xxxxxxx number xxxxxxx.

And Mr xxxxxxx, of nationality xxxxxx domiciled at xxxxx, for the purposes of this document, and provided with nationality passport xxxxxxx number xxxxxxxx

And on the other hand, Mr xxxxxxx, of nationality xxxxx, neighbor of xxxxxx, domiciled at xxxxxxx, number xxxxxx, and provided with passport document

No. xxxxxxxxxxxxxxxxx

**SHARE** each of them with legal capacity to be bound in this act, and **INTERVENE**, the first of them, in the name and representation of PLC xxxxxxxxx and the second as president of the company with registration number xxxxxx and registered at xxxxxxxx No. xxxxxxxx CP: xxxxxxx City xxxxxxx Country xxxxxxx, designated expressly for the purposes of this contract; And the second of them as administrator of the mercantile nationality xxxxxxx denominated xxxxxxxxx, with the same registered address as its representative and provided with tax identification number xxxxxxxxxxx.

In this act, by mutual consent and with the express consent of those who appear for themselves and for whom they represent

## MANIFEST

- I. XXXXXXXX is a trading company dedicated to all kinds of financial and banking matters, as it is public and notorious, whose commercial turn is international in scope and is therefore subject to its own law that is territorial application as it is Provided for such purposes.



- II. XXXXXXXX counts among its commercial / professional activities the management of assets of any nature for their own account or on behalf of third parties.
- III. Accordingly, both parties have reached an agreement which they submit to the following.

## STIPULATIONS

**FIRST.-** XXXXXXXXXXXX PLC, **form now on** XXXXX, agrees to facilitate the use of its own house security for the deposit of assets of any nature: LTN, BONDS, MORTGAGES, DERIVATIVES, CASH, etc ..., to XXXXXXXX., form now on XXXXXX, designated by said company, own or third parties, with the purpose of being used in designated financial transactions and agreed by both parties.

**SECOND.-** Each and every one of the assets deposited and prior to any planned operation, both parties undertake to verify the authenticity and availability for the pre-marked purposes of each of the deposits, and once this verification has been done in a positive way, XXXXXXXX Shall issue in favor of XXXXX or of the individual or legal entity designated for such purpose a bank draft for a period of validity of ninety days in order to be used as payment of the assets deposited for the purpose of their change of ownership from Please XXXXXX, being the responsibility of this XXXXXXXX, the content of the shipment made for all obligatory effects against the issuer XXXXXXXX.

**THIRD.-** Simultaneously with the positive verification of each of the assets deposited in the form described above, XXXXXXXX, by itself and through its financial and banking structure, and especially through the company named XXXXXXXX based in XXXXXX, UK, Will facilitate the issuance of SWIFT MT 760 FULL RESPONSABILYTY to the banking coordinates designated by XXXXXXXX, either their own or their own third clients, each Swift being sent for a period of ONE YEAR AND ONE DAY, and for the price of xx PERCENT (Xx%) of the face value of EVERY Swift issued, to be paid by XXXXX to XXXXX. THE USE OF THE FINANCIAL STRUCTURE OF THE XXXX, through the recipient

of said shipment, shall be paid within fifteen banking days of having produced the issue and the shipment of the Swift in question.

**XXXXXX, SHALL PAY THE SWIFT MT 760 ISSUANCE IN ADVANCE, BY BANKING DRAFT AT A NOTARIAL EVENT AND THEN FOLLOWING 5 BANK DAYS MAXIMUM THE XXXXX THROUGH ITS PARTNER XXXXXX ISSUING THE SWIFT MT 760 AGAINST THE GUARANTEES OF THE OWN DEPOSITED GUARANTEES OF XXXX.**

**FOURTH.- CONFIDENTIALITY:** The parties agree confidentiality and absolute respect in all matters concerning each and every one of the operations, persons that mutually present themselves and stages of the procedure in which they could be involved, in each case, formally undertaking not to do business Direct in the absence of prior knowledge, management and approval, whose consensus will result from mandatory mutual observation. To this end, the parties assume the establishment and unconditional fulfillment of a penalty for breach of this clause, in the unavoidable suffrage they would incur, in case of non-compliance. Should this occur, the parties agree to fix the establishment of compensation in the unavoidable, irrevocable and irrevocable payment of an amount of xxxxxx.000.000.00 €.

**FIFTH.-** In the presence of any case of litigation, controversy or legal discussion, the parties agree to submit, for all that may be derived from the foregoing and concerning the celebration and fulfillment of the spirit and letter of this contract, to the legal jurisdiction Of the Paris Chamber of Commerce, given the nature of this document and its content, freely, expressly and voluntarily waiving any privileges of its own, if any of them had it. And with nothing more to add, those appearing in this act, by themselves and by those who represent, ratify this document, signing the same in two original copies that each party holds for itself, at the place and at the date that are cited in The heading of the same.

Signature

signature

## NOTES AND TIPS

There are many Joint Venture models that we can write based on the specific objective of the agreement between the participating parties. But the most important thing is that it should never be forgotten that not only joint participation of the benefits in a JV, but also of the risks.