Bank drafts play a crucial role in providing a secure and reliable mechanism for project funding, ensuring that financial transactions related to project initiatives are conducted with integrity and confidence. Here are key aspects highlighting the significance of bank drafts in securing project funding vice-versa the BG/SBLC Collateral.

1. FINANCIAL ASSURANCE:

***1.1 BANK DRAFT BENEFICARY*,** Bank drafts serve as a robust mechanism for ensuring financial security to the issuer, with the beneficiary of the bank draft holding significant control over its utilization. The transaction is secured and controlled by issuing the bank draft in the name of funds owner.

> The beneficiary on a bank draft can be either the fund owner (issuer) or the project developer
V.V. The SBLC must be issued to a third, the owner of the receiver account

1.2 BANK DRAFT ISSUING FEES, the costs of issuing a bank draft typically vary by financial institution and are usually independent of the transaction amount. Fees for the transaction include the Bank Draft Issuance Fee, SWIFT Confirmation Fee for Swift MT110, and Delivery Fee by Bank bonded courier.

> Total banking charges for the transaction are under $100, regardless of the transaction amount
v.v. The SBLC transaction bank fees are in the bank with of 1.5% - 2.5% of the SBLC face value

1.3 BANK DRAFT AMOUNT, another advantage of a bank draft is its simplicity and convenience for issuing collateral, as it has no maximum limit and doesn't necessitate the payee's banking background, thereby reducing financial uncertainties and enhancing transaction security.

> The Bank Draft amount can range from 150 million up to 5 billion EUR, GBP, or USD, and can be issued by private individuals as well.
v.v. Banks are not issuing SBLC's for Private individuals and the SBLC amount is typically constrained, making it challenging for both the issuer, bank, and recipient to conclude transactions.

1.4 BANK DRAFTS ARE INSTANTELY, the time it takes for the issuance of a bank draft can vary depending on the policies of the financial institution, however in general, issuing a bank draft may take anywhere from a few minutes to a few hours, or even up to a business day,

> The Bank Draft can be issued within a Bank days, and transaction proceeds promptly
v.v. The issuance of an SBLC triggers due diligence processes for both the issuing and receiving banks. In non-commodity trades, the issuing bank may refuse the transaction for anti-money laundering (AML) reasons.

1.5 BLOCKING/CANCELING OF THE BANK DRAFT, Controlling the nominated beneficiary on a bank draft allows for the possibility of blocking/cancelling the bank draft before maturity due to factors like changes in transaction requirements, transaction completion, or delays in transaction processing.

> It's formal process that requires communication with the issuing bank only
v.v. Cancelling an SBLC can be challenging as it typically involves obtaining consents and SWIFT confirmation from the receiving bank

1.6. TRANSFERABILITY OF THE BANK DRAFT, Bank drafts promote transparency and accountability in project funding by providing flexibility. An issued bank draft can streamline project funding with approval from the beneficiary's board and SWIFT confirmation from the issuing bank, avoiding complex and costly processes of transfer or new issuing of the Bank Draft.

> An unencumbered bank draft issued for less than six months can still facilitate project funding at the discretion of the issuer.
vv. Once issued, an SBLC is under the control of the receiving bank, making it difficult to transfer to another bank and beyond the control of the issuer. Consequently, any issuing fees for the SBLC are lost

2. NON-RECOURSE PROJECT FUNDING

2.1 BANK DRFAT PROCEEDS, Bank drafts promote transparency and accountability in project funding by providing a clear By leveraging the security and reliability of bank drafts in project funding, stakeholders can execute funding transactions with confidence, minimize financial risks, and uphold the integrity of project financing operations.

> Full non-recourse project funding proceeds can be disbursed within 30 banking days in advance, ranging from 120-150% of the Bank Draft amount upon confirmation following the dispatch of the Bank draft to the Receiver Bank by bonded courier.
vv. With the SBLC, project funding is disbursed in instalments over a one-year period, and the Bank is responsible for monitoring the designated use of proceeds for the Project.

2.2 RE-INVESTMENT OF PROCEEDS, the proceeds disbursed from the Bank Draft transaction can be blocked for an additional trade starting from the amount of 150 million EUR/USD.

> Additional non-recourse project funding proceeds are distributed within 30 banking days in advance
v.v. A structured finance with an SBLC restricts usually for further trading opportunities

3. CONCLUSION

Bank Drafts is a secure alternative in the world of business transactions, where financial security is paramount, bank drafts emerge as a reliable, cost-effective and secure collateral. Their ability to provide guaranteed funds, simplify international transactions, and create a clear paper trail makes them an indispensable tool for businesses of all sizes. By understanding the role of bank drafts and when to use them, businesses can ensure smoother and more secure financial transactions in short time.