

Comparing Bank, Corporate and Sovereign Guarantees

Bank Guarantee / SBLC	Promissory Note Aval	Sovereign Guarantee (SG)
Issued by a rated commercial bank, preceded by RWA letter. Low-rated banks will be asked to use a Confirming bank.	PN is issued by a Company. Bank's role is an Aval (stamp); also preceded by RWA letter.	Issued by the country's Ministry of Finance (MoF), authenticity verified by a rated bank using RWA letter, then sent via SWIFT.
Costs vary depending on the bank branch and collateral used; bank fee ranges from 0.5-2%. Ask the bank what assets qualify.	A bank's Aval, added to the PN, may be quite inexpensive or free. Depends on credit of Company.	SGs are effectively free to developers, with rare exception. Governments may want to own equity or repay the loan. Uses a PPP.
Remains an "operative instrument" only until commercial operation date (COD).	Same as BG/SBLC	Stays in effect for the life of the project or the life of the loan, typically ~10-25 years.
100% BG loan-to-value (LTV) is preferred, but can be leveraged; at least 50%-80% LTV recommended to preserve equity.	Same as BG/SBLC	Issued for 100% of the project's budget (SGs are typically discounted in terms of effective value as credit enhancement).
If using leverage, or issued in stages, Draw Schedule becomes sensitive.	Same as BG/SBLC	N/A
All In3 guarantees use an RWA letter to initiate due diligence, which results in a binding offer to fund (equity stake, APR, other T's & C's). Initiated via SWIFT.	Instrument not sent via SWIFT; hardcopy only. Avalized PNs and BG/SBLCs conform to int'l rules (URDG ICC Pub. No. 758).	Both SGs and BG/SBLCs are ultimately sent via SWIFT MT760 from the bank issuing the RWA letter. Or bypass politics by MoF directing a bank to send as BG.

More on these at <http://in3capital.net/de-risking-credit-enhancement>