

In the name of God.

Article No.: Seven

General

Subject:

Offline Banking Network in International Banking System.

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(The reference language for this article is Persian and it is only translated to English language.)

This article is only for providing some basic knowledge, definitions, and understanding at the public level and there won't be any technical terms.

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In this article, we are going to explain some very important and key names and words.

Ready, Willing, and Able Letter (RWA):

There are two types of **RWA** letters: Corporate – banking.

1- Corporate RWA Letter:

This letter announces the readiness and willingness of a company or corporation to start a project with real or legal persons. This letter is not obligatory or irrevocable.

In a corporate **RWA** letter, the company provides information about the requests and conditions of the project. After reviewing this letter by the receiver, they will come back either with a positive or negative response. If the response was positive the project will be continued to signing contract and ultimately the execution of the project.

An important point is that the corporate **RWA** letter must be on the company or corporate letterhead and it must be signed and sealed by the company.

2- Banking RWA letter:

In this letter, a bank or a financial institute announces the readiness and willingness to make transactions for a special proposal on behalf of its client. For each project usually a guarantee needed that it has been provided by the investor to provide financial backup.

Banking **RWA** states that according to the request made by the client and after negotiations, agreement, signing of a contract that are all exchanged in a bank-to-bank connection, the client is ready, willing, and able to make transactions. Bankers must notice that with this letter the client doesn't ask the bank obligation to make a transaction but it just shows the readiness and willingness of the client to continue the project.

The banking **RWA** letter shows that the client's bank will make transactions on time and in accordance with the banking rules and regulations and this is the exact purpose that banking **RWA** serves. The bank based on the guarantees (provided by the client) will respond via **MT199** or **MT799** that they are ready to provide the payments.

So, The **RWA** shows the intention of the bank to send (pay) the guarantee of the client (including banking guarantees, credits and etc.) only if the client asks for it. The



banking **RWA** is not an obligatory letter and it is revocable and at the time of issuance, there is no money transfer.

RWA letters can be sent via **MT799** and it can be pre-advice which is just a text message and it is not a guarantee or obligatory letter. In other cases, **RWA** can be signed and sealed letter exchanged with a secure banking email.

The main goal of the baking **RWA** is to show that a developer or investor is ready, willing, and able to provide a guarantee for its investment. It is a useful and popular message which can help the receiving bank and the receiving client in compliance, recognizing eligibility of the investor and etc. for investment, execution of a project.

Power Of Attorney (POA):

It is a letter to authorize a person on behalf of you to do a financial transaction, trading, or other legal affairs. The authorizing person is the main power and the authorized person is a representative which can be any person and usually, they don't need to be a lawyer however in some regions it is mandatory to be a lawyer.

Notarized Power of attorney is a letter that is notarized (signed, sealed, stamped, and registered) by a notary. Previously, the Power of attorney should have been notarized but nowadays in most regions and countries, it is not necessary.

Letter Of Authorization (LOA):

This is a letter in which gives certain authorizations to the authorized person to act as the exact content of the letter. This letter doesn't need to be notarized.

In another words, you legally give permission to someone to do the things that are in content of the authorization letter for a project, trade or etc.

It is worth mentioning that you're the direct responsible person for what the authorized person does.



Mandate Letter:

When your business is thriving, you will definitely think about developing and growing it, which means you need more people to help you and do the work in other regions and countries.

Issuing a mandate letter means a mandated person will act on behalf of you or your company according to the limits and authorizations mentioned in the mandate letter, under the full supervision of the issuing person.

Following this letter, we need to consider the representing definition in the international laws, that is a contractual relationship between two persons, which the representative using the name and credit of the main person, giving it to act on behalf of the person and get a commission agreed before.

In the public's point of view, all of the mentioned letters (**POA, LOA, and Mandate Letter**) are serving the purpose and are similar and they can be used interchangeably, but in reality, these letters are unique in the enforceability and method of use.

Memorandum Of Understanding (MOU) or Memorandum Of Agreement (MOA):

It is an agreement between two or more parties that shows a convergence of the goal of the parties in achieving the goal, usually, when two parties cannot sign an obligatory agreement or they are not willing to obligate, they sign this type of agreement.

The level of obligation of the **MOU** or **MOA** is solely dependent on the composing text and the legal elements in it. Legal elements are the offer, accepting the offer, and legal obligation and it may vary depending on the subject of the agreement.

Most of the banks, organizations, companies and etc. are using this to define a path and relationship between departments, agencies, or companies.

MOU or **MOA** is valid when signed and sealed by the parties.

Deed Of Agreement (DOA), Contract or Agreement:

It is an agreement between two or more parties that the rights and duties of parties are exactly specified. It is binding when it has certain legal and executive obligations. And agreement usually includes trading of commodities, services, or money or



promising of doing them. If an agreement is violated by any party, the damaged party can make legal claims.

In law, the conclusion of an agreement requires a proposal, acceptance, consideration, and mutual intention. Each party must be bound by the contract. Although most oral contracts are binding, some types of contracts may require formalities, such as written or documented.

Each country that has been recognized by the international laws has a different take and rules on contracts, however in some cases and articles they may be similar but there are some big differences, hence, most of the contracts and especially international contracts has a ruling (governing) law specified in the contract for arbitration of the contract and in general ruling the contract. In case the ruling law is not agreed in the contract each country has a certain set of laws to rule and govern on the contract.

Joint Venture Agreement (JVA):

Joint ventures can take many forms. By the broadest definition, (JVA or JV) can mean a strategic arrangement between two or more businesses in which financial resources are merged to work together on a specific project or on an ongoing basis. Capital sharing is a useful way to collaborate with other businesses and combine different areas of expertise for targeted or general business purposes.

However, there is a commercial risk to the parties, as each party trusts the other to ensure that their reputation will not be compromised by placing their name in a joint venture. It is important that the parties to the joint venture define their respective roles and responsibilities at the outset and how the parties work together to achieve the objectives of the joint venture. Ideally, this is formally recorded in a joint venture agreement.

There are several ways to structure one (JVA or JV). Before taking too many steps toward a joint venture, it is important to consider whether the transaction is for a short-term or long-term agreement. Whether this is a completely weak partnership agreement or a vision for future mergers or acquisitions.



Bank Guarantee (BG):

A bank guarantee (**BG**) is a type of guarantee from a crediting organization. A bank guarantee indicates that the lender's guarantee that a debtor's debt is being settled. A Bank guarantee allows the customer or debtor to enter into transactions, buy goods, equipment, or borrow with the support of **BG**. Bank guarantee applies obligation on the part of a bank or other crediting institution. The bank will cover the loss if the debtor is unable to pay the debtor does not pay for any reason. The bank guarantee is similar to a letter of credit but not as a letter of credit.

Payment Guarantee Letter (PGL):

Payment Guarantee Letter is of two types: Corporate and Bank Endorsed.

1- Corporate PGL: The corporate Payment Guarantee letter is issued by a company on their letterhead, signed and sealed to the benefit of the other party according to their agreement. This type of guarantee doesn't have any financial backup and it is just a promise given by an issuer. In case of a breach, the beneficiary can make legal claims but as it doesn't have a backup it will take months if not years to claim your rights. In most cases, the corporate PGLs don't end up in execution.

2- Bank Endorsed PGL: This is a letter that is signed and sealed by a bank officer in the bank based on the Bank Guarantee and if the client cannot pay the debt, the bank is responsible to make payment for the beneficiary.

Most of the time, **PGLs** are used as bank guarantees for a future promise of payment which lowers the risk for the investing company.

These guarantees have a due date and they are usually executed on the due date or give the right for the beneficiary to claim the subject of **PGL**.

End of Article Number Seven.

