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Understanding SBLC and Monetization

providing an exclusive one-stop shop service structure for SBLC issuance and it's monetization for project financing.

OXFORD, UNITED STATES, March 23, 2021 /EINPresswire.com/ -- Understanding Monetization

Monetization is the process of converting or establishing something into legal tender. While it usually refers to the coining of currency or the printing of banknotes by central banks, it may also take the form of a promissory currency.

The term "monetization" may also be used informally to refer to exchanging possessions for cash or cash equivalents, including selling a security interest, charging fees for something that used to be free, or attempting to make money on goods or services that were previously unprofitable or had been considered to have the potential to earn profits. And data monetization refers to a spectrum of ways information assets can be converted into economic value.

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>
> *Russell Walcott*

Still another meaning of "monetization" denotes the process by which the U.S. Treasury accounts for the face value of outstanding coinage. This procedure can extend even to one-of-a-kind situations such as when the Treasury Department sold an extremely rare 1933 Double Eagle, the amount of $20 was added to the final sale price, reflecting the fact that the coin was considered to be issued into circulation as a result of the transaction.

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SBLC Monetizing Simplified

BG SBLC Lease & Sale Available for Monetization

Have you ever questioned why SBLC are being monetized? The answer may appear somewhat modest. A monetizer makes a lot more money than what he pays the instrument owner and he does this by using the instrument to activate his own leveraged Credit Lines made available to him by his bank. Which means, a valid, cash backed instrument has the capacity to induce availability of trading capital to a securities trader much in access of its own Face Value. This empowers the trader to close huge transactions leadings to humongous profit generation, a part of which is then passed on to the original instrument owner by way of the LTV. This also means, monetizer are essentially securities traders who uses the instrument owner's capital to make profit. Logical corollary to this is the fact that no monetizer, by this logic, would provide a BPU via SWIFT to the instrument owner's bank because the monetizer is not purchasing the instrument. Hence, all who seek to monetize their financial instruments such as Medium Term Notes (MTN), Standby Letters of Credit (SBLC), or Bank Guarantees (BG) must stop asking for BPU (Bank Payment Undertaking) from any monetizer. This means there are risks involved and hence expert legal advice and thorough due diligence of the monetizer/ Securities Trader is a pre-requisite.

Monetizing a bank instrument (BG/SBLC) thus means raising finance against it. In order to receive either cash funds or raise a credit line against an owned cash backed financial instrument. It is important that the bank instrument is worded specifically (verbiage) for the purpose of receiving cash funds for either viable projects, Platform Trading or securing a credit line. Receiving cash funds or raising a credit line against a bank instrument issued for purposes other than these, may be difficult to monetize.

Monetizing bank instruments is the process of liquidating such instruments by converting them into legal tender. We can monetize or lend on credible bank instruments issued by rated banks to be used for project funding as well as move them into various trading platforms quickly and easily while creatively incorporating them into financing certain development projects.

This process allows you to:

- Monetize instruments for cash as well as for raising a credit line
- Monetize instruments for buy/sell platform entry
- Monetize instruments for both cash and buy/sell platform entry

What Is a Standby Letter of Credit (SBLC)?

A standby letter of credit (SBLC) is a legal document that guarantees a bank's commitment of payment to a seller in the event that the buyer–or the bank's client–defaults on the agreement. A standby letter of credit helps facilitate international trade between companies that don't know each other and have different laws and regulations. Although the buyer is certain to receive the goods and the seller certain to receive payment, a SBLC doesn't guarantee the buyer will be happy with the goods. A standby letter of credit can also be abbreviated SBLC.

How a Standby Letter of Credit Works

A SBLC is most often sought by a business to help it obtain Credit. The credit is a "standby" agreement because the bank will have to pay only in a worst-case scenario. Although an SBLC guarantees payment to a seller, the agreement must be followed exactly. For example, a delay in shipping or a misspelling a company's name can lead to the bank refusing to make the payment.

There are two main types of standby letters of credit:

A financial SBLC guarantees payment for goods or services as specified by an agreement. An oil refining company, for example, might arrange for such a letter to reassure a seller of crude oil that it can pay for a huge delivery of crude oil.

The performance SBLC, which is less common, guarantees that the client will complete the project outlined in a contract. The bank agrees to reimburse the third party in the event that its client fails to complete the project.

Advantages of a Stand by Letter of Credit

The SBLC is often seen in contracts involving international trade, which tend to involve a large commitment of money and have added risks.

For the business that is presented with a SBLC, the greatest advantage is the potential ease of getting out of that worst-case scenario. If an agreement calls for payment within 30 days of delivery and the payment is not made, the seller can present the SBLC to the buyer's bank for payment. Thus, the seller is guaranteed to be paid. Another advantage for the seller is that the SBLC reduces the risk of the production order being changed or canceled by the buyer.

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