



PROMISSORY NOTES

The simple definition of a promissory note is ***“a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date or on demand”***.

It is a ***“contract”*** between two people where one agrees to pay the other sometime in the future; in layman’s terms it is an ***IOU (I Owe You)***.

Note: This is different to a ***bill***, which would be a ***“You owe me”*** note.

However, where a ***contract*** requires ***two*** signatures, a ***promissory note*** only has ***one*** signature, that of the ***author*** of the document, who is legally referred to as either ***drawer*** or ***maker***.

Therefore, a promissory note is a ***financial instrument*** used ***within*** an agreement or contract.

It is a form of ***loan*** where the ***drawer*** of the ***promissory note*** is the ***borrower***, and the ***drawee*** is the ***lender*** and pays the amount to the ***payee***.

Note: In most cases the ***drawee*** and ***payee*** are the same person; however, the ***drawee*** of a ***bill of exchange*** is usually the buyer or debtor.

For a document to be considered a promissory note, it must have the minimum as follows.

1. The ***date*** it was drawn up
2. The amount the note is for, usually referred to as the ***principal***
3. The ***name*** of the drawer or maker
4. The ***signature*** of the drawer or maker

Other details that can be added to a promissory note are as follows:

1. The address of the maker
2. Date the payment is to be made
3. Repayments: repayment schedule and due date for multiple payments
4. Interest
5. The name and signature of the payee
6. Signature of a witness
7. Collateral
8. Default penalties

Promissory Note Function

The reason for a ***promissory note*** is to allow a ***buyer time*** to pay the ***seller*** within trade as the ***buyer*** may not have all the funds available at the ***time of sale***.

For example: A lumber merchant offers to supply timber to a carpenter who makes furniture, who does not have the funds to pay the lumber merchant until the carpenter sells his furniture.

If the lumber merchant who is the **seller** accepts the **promissory note** from the carpenter, who is the **buyer**, the **seller** is allowing a **window of credit** set within a time frame.

This allows time for the carpenter to build and sell his furniture and then pay the lumber merchant.

The **buyer** and a **seller** have now entered into a **contract** using a **financial instrument** called a **promissory note**.

This **promissory note** is a conditional guarantee and operates above any other contractual obligation.

However, the **signer** and **maker** of the **promissory note** must be **credible** to be offered the credit.

Creditability

Ultimately it is the **seller's choice** whether or not the one offering the promissory note has **creditability**, or the ability to pay the **credit** being offered by the seller.

This can be done by either the **maker** of the promissory note offering collateral for the debt or **prove** they have the means to pay, which is usually done through the **name** and **autograph** on the **promissory note** representing an **estate**.

It is the **name** of the maker representing their estate that gives credibility to the promissory note, giving it **security**.

A **secured note** refers to the maker's ability to pay as the note is **backed by** an item of **value** or **collateral**.

An **unsecured note** has no such collateral.

Note: As most people today have **no name** or **estate** and **own nothing**, they are **not credible** to be an author of any promissory note.

However, to function in **commerce** the government created an estate for these people to use.

Promissory Note Jurisdiction

Although the simple definition of a basic promissory note involves just two parties, within **the legal system** there can be **many more parties** and **legal titles** within this **financial instrument**.

There are three basic jurisdictions that a promissory note can operate within:

1. **Private:** This note operates within the **jurisdiction** of the **sovereign** and is private to all parties involved. There is no taxation.
2. **National:** operating from **"your" foreign situs trust** that can be traded internationally. There is no taxation to the **maker**.
3. **Public:** Used by all **citizens** within a **corporate community** called a **country**, which is **issued** by a central bank with all notes now subject to taxation.

Legal Promissory Note

There can be four primary parties involved in a legal promissory note: **Maker, Drawer, Payee** and **Endorser**.

Although the **legal title Maker** and **Drawer** are sometimes used **interchangeably** these titles have subtle differences.

Maker

The **maker** is the person who **authorises, creates** and **executes** the promissory note and therefore **owns it**, and promises to pay the note, once presented.

Drawer

The **drawer** is the person who draws up a **financial document** that instructs a **drawee** to pay a third party, although may not **execute** it.

Therefore, a **drawer** is the person or entity that **initiates** a financial transaction by instructing a **drawee** to pay a third party, known as the **payee**.

Whereas a **maker** is the person or company who **makes** or **executes** a note **they own**.

The **drawer** does **not** own the note and may require an **endorser** to **execute** the note.

Drawee

The **drawee** is the person in whose favour the note is made and, in most cases, the **drawee** is also the **payee**.

The **drawee** can pass on the promissory note to a **third party**, who now becomes the **payee**.

Payee

The **payee** is the person who **receives** the **payment** and in some cases, they are also the **drawee**.

Endorsee

An **endorsee** may also be involved in the creation of a promissory note, whereby an **endorser** is the person who transfers the note to another person, known as the **endorsee**.

Note: A promissory note endorsement is mainly used to assign the **collection rights** that a promissory note grants, such as the transfer of ownership of the instrument, or to acknowledge the payment of a debt.

An **endorsement** from the **executor** is usually required after a **drawer**, who is **not** acting as the **maker**, draws up a promissory note.

The date the negotiable instrument was ***drawn up*** may ***not*** be the same as when it was ***endorsed***.

Note: An ***executor*** has the ***authority*** to ***sign*** on behalf of a ***dead entity***, or a deceased person's estate once ***Grant of Probate*** has been established.

A ***grant of probate*** is a ***legal document*** that ***grants*** the ***executor*** the ***authority*** to sign on behalf of a deceased person according to their ***will***.

Usually, the ***authority*** to ***grant*** probate comes from ***"the church"*** as they have the ***controlling interest*** over the ***"last will and testament"***.

Accepted for Value

Once the promissory note is returned to the ***maker***, the ***maker*** can now endorse the back of the note through their signature and ***accept the note for value***.

To ***accept for value*** is to ***cancel*** the returned ***promissory note*** once the debt is paid in full.

Maturity Date

A promissory note can be written with a ***maturity date***, whereby the ***current holder*** can now execute the note over the ***debtor***.

The debtor must pay the amount promised in the note.

Note: A ***demand promissory note*** does not carry a specific maturity date, but are due ***"on demand"*** of the lender.

Negotiable Instrument

Unless otherwise stated, a promissory note is a ***negotiable instrument***, meaning it is ***transferable*** to a third party.

This is usually signified by the legal term ***"promise to pay the bearer on demand"***, rather than stipulating the ***payee's name***.

Sum in Value

When a ***promissory note*** is written, it can either state what ***form*** the payment will be made, or the ***sum in value***.

For example: If the ***promise to pay*** is in ***gold coins***, then the bearer gets the ***gold coins***. If the promissory note pays in ***pound notes*** or ***dollars***, then the bearer gets the ***pounds*** or ***dollars***.

However, if the note is written as ***"sum in value"*** then the currency described is the ***value*** of the note, but ***not*** what is going to be paid out.

For example: I promise to pay the bearer ***£20,000*** vs I promise to pay the bearer the ***sum in value*** of £20,000.

Therefore, the note has been denoted in a “**sum in value**” of a fiat currency, but **not** a promise to pay in a fiat currency.

Note: An international promissory note can be written in any currency, as the currency is not specified in the definition of a promissory note.

Debt Instruments

The main differences between a **promissory note**, **loan**, **bond** and **bill of exchange** are as follows:

Promissory Note

1. A promissory note evidences the obligation to pay a debt
2. Interest payments can be made until the debt is paid
3. Promissory notes are transferable

A promissory note is a **negotiable instrument** that can be used in trade or finance, it is a “**promise to pay**”, as opposed to a **bill of exchange**, which is an “**order to pay**”.

All Promissory notes are **liabilities** because they are only a **written promise** to repay a debt, and although the issuer is obligated to pay, they may not, which is a liability.

Loan

1. A loan is a sum of money borrowed, which is to be paid back with interest
2. A loan requires a lender and a borrower whereby something of value has been loaned
3. A loan is not tradable

Mortgages, credit cards, car and student “**loans**” are **not** loans but a **facilitation of credit** from the principal creditor.

Although a small service charge can be made to **facilitate credit**, interest payments **cannot**.

Bond

1. A bond represents a monetary value known as the principal and has a set maturity date when the principal is paid
2. A bond can pay interest to the holder known as coupon payments
3. Bonds can be bought and sold on the debt market

A **bearer bond** is a debt security that is **owned** by the person who physically holds the bond, rather than being **registered** to a named owner.

Bearer bonds are also known as **coupon bonds** because the interest payments are attached to the bond in the form of **coupons**.

Origin of a Bond

The earliest known record of a **surety bond** was found on **Mesopotamian** tablet written around **2750 BC**.

Over time a **bond** would be **drawn up** by a **scribe**, with the **scroll** being **sealed** by the **house** of the creditor.

This scroll would be placed into a box owned by a bank, and locked with two keys, one made from gold and the other silver.

The **house** of the creditor and the bank would enter into a **trust agreement**, with each party receiving a key to the box.

The Bank would retain the **gold key** and the house of the creditor would be issued with a **silver key**.

Promissory notes could now be created based upon the bond secured within the box.

A **registrar** would issue notes under the instruction of the **house**, and place registrar and bank **endorsement seals** upon newly created promissory notes.

Said promissory notes could now be used as a source of credit within trade.

Note: A child adopted by the church, as they were born out of wedlock and abandoned by their parents, would have a trust set up and receive their **silver key** when they reached the age of 21.

Bill of Exchange

1. A bill of exchange, also known as a draft, is a written order that requires one person to pay another a sum of money at a specified time
2. They do not pay interest unless it is not paid on a certain date
3. Bills of exchange can be traded

Bills of exchange are traded by **physically** sending the bill from one party to another. The seller must **endorse** the bill on the back, similar to a cheque.

A **bill of exchange** is an **unconditional order** drawn up by the drawer instructing a payee or drawee to pay a definable amount of money at a set date.

1. Payable on demand which is called a **"sight bill"** or draft
2. Payable after a delay at a future date, which is called a **"time bill"**

Backing vs Pegged

When a **promissory note** is **backed** by a **commodity**, the holder of said **promissory note** can exchange the **note** for the **commodity**.

For example: If the **note** is **backed** by a **silver dollar** coin, then the **holder** of the **note** would receive a **silver dollar** from the one who **signed** the **note**.

In some cases, the promissory note would denote the **amount** of the **commodity** that **backs** the note, such as **weight**.

For example: The **British Pound note** was originally **backed** by **sterling silver**, and would state the **weight** of **silver** the holder of the note would receive in exchange for the note.

When a **fiat promissory note** is **pegged** to a **commodity**, then the note **derives** its **value** from **another source**, and the holder **cannot** exchange the note for the source or commodity.

The note is in effect worthless.

True Backing

“Backed by” can mean supported or endorsed by someone or something, which may or may **not** even exist.

In general terms and **context**, the phrase **“backed by”** may indicate that there is financial, moral, or other form of support behind a person, organisation, **document** or action.

It is this subtle change behind the **meaning** of the phrase **“backed”** that can trap people in to accepting a **financial instrument** that has **no** real value.

When a promise to pay is made, there are two types of basic promissory note:

1. **Secured:** the promissory note is **backed** by collateral, an asset or commodity that can be claimed.
2. **Unsecure:** there is **nothing** of real value backing the promissory note; the backing is abstract.

The **commodity** that **backs** the note must be a real, definable and tangible item that can be physically **exchanged** for the note.

When promissory notes are used as **currency** within a local or even global economy, **each note** must be **fungible**; this requires that the **asset** backing each note must also be **fungible**.

This means that **each note**, regardless of trade, can be exchanged for the **same amount** of **commodity** that every other note can be.

This is why almost all promissory notes used as currency denoted a **weight** of said commodity, whether it was salt, spices, gold or silver, such as the British pound sterling.

Abstract Backing

Regarding a currency, one type of fraud is offering promissory notes for payment within an economy that has **“abstract backing”** and **not** an **intrinsic commodity** of value. Such as:

- Land
- The People
- Community

Land

If a **promissory note** is backed by land, then the note refers to a **singular deed** of said land, which is unique, making the promissory note a **singular note** and **not** one that can be used as **currency**.

Note: Each promissory note within a currency must be **fungible**, or it ceases to be **currency** as it **cannot** be used within the “**flow**” of countless trades within an economy.

To **back** a promissory note by land means it **cannot** be fungible, as land varies in value depending on location, access, climate, resources and wildlife.

For example: In America alone, an acre of land can cost between \$1,000 to over \$100,000 depending on location; with Arizona being the cheapest and California being the most expensive.

The People

A promissory note **cannot** be backed by “**the people**” as you **cannot** claim the perceived value for exchange of the note.

There is no **intrinsic commodity** that each note can be exchanged for.

The only way a promissory note can be backed by people is to accept slavery.

Community

To back a currency on a **community** means to **tax** the communists living within the commune as a source of income to support the promise to pay.

In short, the people within the community have become **human resources** or **chattel**, where a large portion of their lives, by way of sweat equity, is used as the value.

People have become the **commodity**, with the ones who created the community and promissory note becoming the oligarchs who benefit from it.

In every case where a promissory note is backed by “**the people**” within a “**community**”, said people work for the very notes their **slavery** backs, and are also **taxed** on the note.

To make people work for a promissory note they themselves back with their own work, and then tax them for using the note, is **usury**.

Summary

If you **cannot** claim a **physical commodity** for the promissory note you hold, it is worthless.

If you accept a note that is backed by **the people**, you have also accepted your own **slavery**.