To pay for credit sales a buyer may make a written promise in form of a promissory note or a bill of exchange. Below is a compilation of the major points of difference between bill of exchange and promissory note. Definition (Bill of Exchange) – It is a financial instrument in writing containing an unconditional order signed by the maker, directing another person to pay a specific sum of money. It is paid to the bearer of the instrument (or) to the order of a particular person (or) to a particular person. Format. A bill of exchange is a written agreement between two parties – the buyer and the seller – used primarily in international trade. The buyer or seller typically employs a bank to issue the bill of exchange due to the risks involved with international transactions. For this reason, bills of exchange are sometimes also referred to as bank drafts. Bills of exchange can be transferred by endorsement, much like a check. Promissory notes are retained by the payee or seller and, once payment has been completed, must be canceled and returned to the issuer or buyer. In terms of legal enforceability, a promissory note is more formal than an IOU, but less so than a standard bank loan. Compare Popular Online Brokers.