INTRODUCTION

to

TRADING PLATFORMS:

TRADERS & PRIVATE PLACEMENT PROGRAMS (“PPPs”)

Private Placement Programs (“PPPs”) can generate significant returns. Most people are not familiar with PPPs, might be misinformed about them, or don't know how to gain access to them. This brief Introduction to Trading Platforms, Traders and PPPs should provide a useful primer to the those who want to know more about them and their powerful potential.

The History

Current Private Placement Programs (“PPPs”) had their genesis following the end of World Wars II. They were designed to help finance the Marshall Plan in rebuilding the infrastructure & economies of Europe that were decimated by the war. Initially designed to only allow governments to participate, these programs have changed over time to be primarily available to companies and individuals. Today these programs conform to guidelines established by the International Chamber of Commerce (“ICC”) for the banking industry. Program structures usually contain five primary components:

- Trading Commodity / financial instrument to be bought and sold to generate yield for the program.
- Trader who uses a line of credit based on an asset that is provided by a Client (you).
- Client who provides an asset in the form of a cash bank account, financial instrument or hard asset, such as gemstones or precious metals.
- Profit from completed trades that produce high returns for the Client.
- Project(s) that will provide humanitarian or economic benefit to the world. Projects are only required for larger trades, usually those over $100–500 million.

The Trading Commodity

The most commonly used Trading Commodity is the financial instrument known as the 10-year Medium Term Note, or MTN. MTNs are issued by very large banks and sold at a discount, bought and resold by other banks, hedge funds, and other large financial entities, and ultimately purchased by an exit buyer. The exit buyer is an entity such as life insurance company or a pension plan that wants to hold it for the term of the MTN in order to collect the interest / coupon yield. Freshly issued/cut MTNs are usually bought and sold several times, becoming “slightly seasoned” and then “seasoned” before they end up in the hands of the exit buyer, the final buyer.

The Trader

The Trader is key to PPPs because the structure of these programs require that the large banks cannot buy and sell these instruments from each other directly. These transactions have to be handled by a third-party Trader. That Trader uses a line of credit that is extended to him by a bank to support his activities. The credit line is activated based on the asset provided by the Client. Each transaction is a “managed” / no-risk buy and sell, meaning that the Trader is required to have a commitment from a buyer before making a commitment to purchase the MTN from the seller. In many cases, this arrangement is subject to bank approval before each transaction can be consummated. Once it is initiated, the transaction is over very quickly as transfer of the MTNs and funds are accomplished electronically.

The Client

Since the Trader is not permitted to simply trade his own funds, it should be noted that the Trader must always be acting on behalf of a Client, you, for whom he is conducting the trade. The role of the Client is to provide an asset, such as a cash bank account, that is needed to initiate the program.

The Profit

Although these programs are in operation year-round, the transactions will only take place on weekdays when the bank granting the credit line to the Trader is open. The Trader typically receives a trading line of credit equal to *10 times* the value of the Client's participation amount. If the Client's cash on deposit is $10M, then the platform is probably trading with $100M. Plus the trade platform can, and typically does, trade that $100M up to *4 or 5 times* a day, four days a week. It is this *10:1 leverage* and the *high frequency* of completed trades that enable the Trader to produce very high weekly and monthly returns to the Client.

The Project

Although Clients involved in $100–500 million plus programs are generally expected to use a good portion of the yield / profits from their programs on Projects that strengthen the economy or provide philanthropic benefit, some smaller programs are designed to enhance a Client’s participation capital, and do not have this specific requirement.

When there is a need to support a Project, it can be met in many ways. The Client can be raising capital in order to fund a large economic or philanthropic Project. The Trader will sometimes have specific Projects to be supported by his share of the yield, and may take a greater share of the gross yield for that Project so the Client has no obligation to have their own Project. In cases where the Client does not have a Project, but the Program requires one, the Client may have a portion of the yield go to support Projects approved by the United Nations or supplied by the Trader himself.

In Conclusion

Hopefully, the information above has provided you with useful information regarding the history of these programs, their general structure, and some basics about the manner in which they operate. Potential program participants / Clients, must always obtain specific answers to their questions directly from those involved in the PPP they are considering.
