Private Placement Programs

"PPP"

XCARET
COMPANY

PPP Gives Access to Trading Between Banks

- PPPs exist to create money
- Money is created through creation of debt
- Debts created by banks are called MTNs, BGs, and SBLCs aka “instruments” or “paper”
- Instruments can be traded between banks – bought and sold by other banks
- To be valuable instruments must be created by major banks who have the money to back them
- “Open market trading” uses bidding while “Closed (Private) Market Trading” uses arbitrage – this is where PPPs exist
- Arbitrage is when the buyer and seller and prices are already known

Traders Can Produce Significant Returns

- Major banks that trade have “trade desks” with “traders” who manage the banks trades
- Trade Desks can’t trade their own funds – they must have an investor backing the trade
- Traders use investor funds to “trigger” credit lines for trade
- Investor funds are safe because arbitrage trading ensures a buyer and seller for each trade
- Higher yield can be produced by the trader through “leverage”
- A trade using 10:1 leverage that would normally make a margin of 5% can make 50% and can close in one day

Getting Accepted for PPP

- PPP entry always follows an established protocol
- Banks may not under regulation solicit investors
- Investors therefore must submit information identifying themselves, their funds capability, and then request the bank to work with them
- Due diligence prior to acceptance is impossible – all information about other investors is protected by strong non-disclosures

Summary Points

- The idea that if PPPs existed everyone would be participating is oft-repeated wisdom that does not apply in all cases
- PPPs that are carefully selected and negotiated can provide access to project financing beyond the normal debt and equity models that most people experience
- PPPs are not all the same – there are differences in terms, in returns, and in operating rules
- PPPs always have broker chains and there is generally no way around this except to navigate through the various parties
- PPPs in certain cases may produce no more than 50% return per month and in other cases as much as 100% per day depending on structure

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