OVERVIEW ON TRADING

Private Placement Opportunity Programs (PPOPs) are also known under other names, such as Private Placement Programs (PPPs) or Private Placement Investment Programs (PPIPs).

Private Placement Opportunity Programs were established to create money and for controlling the demand for money by issuing Medium Term Notes (MTN's), discounting the note, selling and reselling the note through arbitrage / matched trading transactions to end buyers.

PPOPs involve trading with discounted bank-issued debt instruments, Medium Term Notes, which are not 'securities' as they are 'debentures' and are backed by the full faith and credit of the issuing bank. Money is created by virtue of the fact that such instruments are deferred payment obligations, or debts.

Most MTNs are non callable, unsecured, senior debt obligations with fixed coupon rates and investment-grade credit ratings. An MTN is also defined as a highly flexible debt instrument that can easily be designed to respond to market opportunities and investor preferences. The ability of borrowers to sell a variety of debt instruments with a broad range of coupons and maturities under a single prospectus supplement is an advantage to MTN programs.

MTNs are generally offered on an agency basis. MTN programs usually allow the agents to acquire notes for their own account and for resale at par or at prevailing market prices. In addition, many MTN programs permit the borrower to bypass financial intermediaries by selling debt directly to investors. By having an MTN program, an issuer can raise a sizable amount of debt in a short time. The MTN market also provides banks and corporations with the ability to raise funds discreetly because the issuer, the investor, and the agent are the only market participants that have to know about a primary transaction.

Debts notes such as Medium Terms Notes (MTN), Bank Guarantees (BG), and Stand-By Letters of Credit (SBLC) are issued at discounted prices by major world banks in the amount of billions of USD and Euros daily. There is an enormous daily market of discounted bank instruments (e.g., MTN, BG, SBLC, Bonds,) involving issuing banks and exit-buyers (Pension Funds, large financial institutions, insurance companies etc.) in an exclusive Private Placement arena.

All trading programs in the Private Placement Programs involve trade with discounted debt notes in some fashion. This trading can only be done on a private level through the money center trade banks in their Capital Markets trade departments. This is the main difference between "normal" securities trading, which is highly regulated and conducted by securities firms not money center banks. Private Placement trading is free from the usual restrictions present in the securities market because it is the trading of 'debt instrument' and not a stock or bond instrument.

These bank traders control huge amounts of capital and credit lines and enter into contractual agreements with other banks to buy a specified number of fresh-cut instruments, at a specific discounted price, during an allotted period of time. The trading is all based on arbitrage / matched trading transactions with pre-defined prices. As such, the traders **never** need to be in 'control' of the investor's funds only the 'illusion' that the funds are there if needed. Because these trade banks are not allowed to trade with their own money or directly participate in these transactions as 'principals', the trade bank is giving the trader an internal non-depleting line of credit based on the 'appearance' of how much money the bank has in 'reserve' demonstrated by investor's blocked funds. It is therefore necessary for the trader to 'block' an account as the 'underlying trigger' of the line.

Private Placement trading safety is based on the fact that the transactions are performed as arbitrage transactions within the trade banks. This means that the instruments will be bought and resold immediately with pre-defined prices. A number of buyers and sellers are contracted, including exit-buyers comprising mostly of other trade banks, large financial institutions, insurance companies, and in some rare cases, extremely wealthy individuals. This is why investor's funds in Private Placement Programs are always safe without any trading risk.

The difference between an investor dealing directly with a bank and a bank trader and a Private Placement Platform is significant. Platforms generally have joint venture agreements with the trade banks.

The Platform and the investor enter into contractual arrangements. The investor's funds are blocked (this is done in a variety of ways) in favor of the Platforms account at the trade bank or an instrument is Swifted into the Platforms account. The Platform always maintains the separation and wall between the investor and the trade bank. The Platform usually has non depleting lines of credit at the trade bank which are triggered against the "block" on the investor funds or the instrument in the Platform account. The banks trader will then trade with the Platforms credit line. The profits generated by the trader are paid to the Platform account and then distributed to the investor as per the contract.

In many cases depending on the Platform, the returns to the investor are calculated on a best efforts basis. In other cases the Platform may offer a guaranteed return as stipulated in their contract however it is difficult to actually determine the depth and strength of that guarantee. If the investor is satisfied with these "guaranteed" returns, they may wish to proceed. The investor's principal is protected by the blocking mechanism and not at risk.

One of the most significant differences between direct bank trade and using a Platform are the returns to the investor. The total amount generated by the bank is paid to the investor as there is no joint venture Platform to pay. The second most significant difference is that the investor's contract is directly with the trade bank and returns are guaranteed by the bank. The contract is signed in the bank with the trader and the bank officers.

The process for an investor participating with the trade bank is to first complete the required forms. These are submitted to the intake officer and presented to the bank compliance department. Due diligence usually takes between 24-48 hours.

Once the investor has passed due diligence the platform will contact the investor directly to schedule an appointment to discuss terms. A contract will be issued upon the completion of a successful call.

Once the contract is signed an administrative hold is put on investor's bank account for the designated amount for the trade. If the investor’s funds are in another bank then a Ping (agreement between the bank, trader and client) can be used. If the investor’s funds are in a bank in another country, depending on the bank and the country a MT 760 block may be required. Once the block is in place, the trade will commence on the following Monday. The payout to the investor and any relevant parties are made in accordance with the agreed terms.