Have you heard of certain trade programs that generate profits for project funding?

You probably have, and perhaps even heard negative press saying how these do not exist, are illegal, scams, or otherwise unsavory investment schemes. Would you like to know the truth about the 'needle in a haystack' that is covered up with broker nonsense and misinformation, rumor and innuendo? Let's peel away the rotten onion outer skin and get to the center where it is true.

In reality, there are only 5 trade groups worldwide, stationed at the top western European banks, that handle these very high level transactions from major banks through to pension funds for their portfolios. These are newly issued when ordered from a commitment holder with a contract to buy paper discounted from the banks. They are bought by licensed traders, and are then resold at a higher price to these pensions worldwide. Between the buying of the new issue paper-- let's say it is 50% of the face value of the paper from the bank, and the reselling, there is a spread.

It is because of this profit spread, there is cash left to be destined towards projects that are humanitarian, or environmental, or even infrastructure-related. Projects that create jobs, are self-sustaining, and benefit the community can qualify, and they do NOT have to be non-profit projects.

These trade programs typically run 40-weeks (banking weeks, that is), or 12 months.

They can pay out profits that are very handsome. Some have been paying 100 percent per month and more! WHAT??? That's right. Keep reading.

You might say, "That's all well and good for them, right? Don't they have credit lines so this is a closed door for a select group of people? Why am I reading about this?"

Simple. THIS is the opportunity for the financially ultra-qualified individual or company to join in as a participant. How?

The traders cannot use their own credit lines. There has to be a 3rd party who steps up with the cash necessary to prove the trader had the money before he bought the bank paper. That's where the enlightened ultra high net worth folks come in. Because for those with the means (usually at least 125-Million cash Euro in a top bank), by allowing their money to be "shown" as the trader's so the trader can buy the paper, they will see profits that are generally too high for the average person to believe. How do they make the profits to be able to pay the "investor"? Well, simple arithmetic is in order here.

Let's say you sell me something worth one dollar... and you sell it to me for 50 cents. "WAIT a minute", you exclaim. Who in the world would sell you something for half its value? Remember this question-- there will be a test later.

I take your paper that I paid 50 cents for, and I sell it to a pension fund or institutional buyer for 80 cents. I just made 30 cents profit. The pension fund holds on to the paper

until it matures, when it is then worth $1. So WE made 30 cents, and the pension fund made 20 cents—a lot more than the banks will pay.

Now, since I bought the paper and then resold it for 30 cents profit, I can reward the investor a nice part of the profit, up to about 100% of the amount of money the investor put up for the trader. That, my friend, is trading 101.

While there is much more under the "hood" with quite a few moving parts that go into the whole process, but this is how these profits are made.

Let's now make these numbers real. Let's change this to hundreds of millions of dollars, instead of 50 cents. Now you are seeing the size of these transactions resulting in some serious money.

Here's a real life illustration for you. You, as an investor, have the minimum amount of money sitting in a cash account at the bank. You like having that money there, right? You would never allow it to be touched, right? Of course. But watch this:

Your bank account has 125-Million Euro (we'll explain why the oddball number instead of rounded to 100-Million later). Effectively, 100-Million Euro is available for the trade program. But you don't want to risk or lose your money, remember?

Follow this. Your money stays in your account untouched. If you really want to make sure no one can touch it, you can have the bank make it a "non-depletion" account. You couldn't pry it from the account with the Jaws of Life!

The trader, after all the necessary due diligence on you and your money (you cannot be a bad guy in the eyes of the authorities, and your money has to be clean of terrorism or drugs, which means you are on a list somewhere!), you are given instructions about how to block the money in your account properly so no one can touch it for the trade contract period.

Protection of YOUR principal is always the first priority. But then, we have certain rules that the trader has to abide by from the authorities on-high. Those are explained, and once you understand, the trade contract is issued directly from the trader's company and you.

By the way, I am using the terms "Trader" and "Trade Group or Company" interchangeably so it doesn't get too confusing. If you want to understand the structure that's a topic for another time. The idea here is just to give you a picture.

So, where is the protection?

First, your funds are blocked and cannot be touched until a date certain. Second, the trader obtains a credit line from a central bank or other authority, which is using your bank account to support the credit line. It's collateral, in other words. Don't let that scare you.

It is the credit line that is used to "show" the funds are available for the trader to buy the paper. See, if the trader cannot show at all times that he had the funds to pay for the paper before he ordered it, then he is conducting illegal arbitrage. Never mind what that

means. It's enough to know that the trader won't risk his licenses, career and freedom if he does that. Pretty good incentive to keep their noses clean, right?

So, let's recap. Your money sits in your bank account untouchable for one year, because the credit line is using that as collateral for the loan to the trader. At this point most people will think, "wait, if the trader defaults on the credit line, they'll come after my cash!!!".

Not so fast. You see, the trader will have already lined up the second buyer behind him to take the paper at the higher price. S/he won't make the buy order unless he has an exit buyer immediately ready to take it.

Some people might ask at this point, "Why can't the pension funds buy this straight from the bank and cut out the trader—i.e. the middleman."?

Well, the pension funds and certain other institutional buyers can only invest in "marketable" instruments. If they buy it brand spanking new straight from the bank, there is no "market" for the instruments that can be demonstrated. The penalties for the buying entity purchasing something that hasn't been proven to have value in reselling are pretty severe, too. The trader acts as the first buyer at one price, then selling it for a higher price, which demonstrates that the instrument has "marketability" based on its bought-then-sold process.

Hopefully this gives you an idea of how this system works. It is definitely reserved for the very, very wealthy, which leaves out everyone else. This is NOT a bad thing. There usually (although not always) is a requirement of participation as a client in a trade program. In general, 80% of the profits you receive should be used to fund projects that have the benefits of creating jobs, housing, the environment and the roads and highways. Of the remaining 20% of the profit, some of that is for general and administrative expenses, and profit for you as the investor.

You have to remember the whole reason for this system being invented. This is the result of post-World War II, where each country that was affected by bombings in Europe and Japan and elsewhere saw their infrastructure collapsed. You can read more details if you feel like it. But the intention of this profit generating system was to benefit humankind by funding good projects. Remember, though, it does not have to be a non-profit operation.

OK, so now you understand the overall system of trading. You see that your money is actually protected by a layer of a credit line that, when the trader buys then sells, is never used. And you share in those profit spreads generated by the trader buying then selling the instrument.

Are you one of those financially qualified individuals who can meet the minimum cash needed? There is a step by step process that is in place and regulated by the financial authorities as to application, due-diligence, and ultimate acceptance into a program.

In the years working with clients who hoped they would be able to cheat or dictate their way with the traders, the lesson is that you as an individual have to be easy to work with,

ready, willing and able to take the steps proscribed by the authorities to be fully transparent and truthful, it can work. And has.

On the other hand, if you have a personality that is rough around the edges, controlling, inflexible, or just not a nice person to deal with, well, let's just say the door will be slammed.

So your attitude and approach need to be business-like but friendly and cooperative. And, it goes without saying, whatever is requested from the trader will be fulfilled.

We aren't talking rocket science here, folks. The traders are human, too, and they can also be turned off even with the most financially qualified person, but not likeable. I have found that a good personality goes a long way to make your application path smoother.

Here's something else you should know: **Never tell your own Banker you are going to apply for a trade program.** Never. For a simple reason—they don't want YOU to take away your money since they are making so much money from lending it out! It also doesn't benefit the banker personally (unless s/he is "cut in" on the deal). Bottom line: If the time comes for you to communicate with your banker when it is necessary, if s/he asks, just tell them you are investing in a business and don't say anymore.

We have lost so many clients because their bankers stonewalled doing the necessary steps to help the customer, simply because they don't want to lose the money they are making. You do know that the bank is lending your money every night and making a nice tidy profit that they aren't sharing with you, right? Once those funds are blocked, the bank can't use them to lend overnight, and that means a lot of lost profit for them.

Oh, remember the test question from the beginning? *Who in the world would sell you something for half its value?*

What happens to the 50% the trader paid to the bank? Well, through the magical power of leverage and something called the fractional reserve system, the bank can take that 50 cents and turn it into 5 dollars leveraged. At the end of the year, the bank has 5 dollars, and they owe the owner of the instrument 1 dollar. The bank made 4 bucks. Add 8 to 10 zeroes behind that number, and you can see why the bank will accept the 50 cents the trader paid them, particularly since they issued only a piece of paper (backed of course by the bank's assets, but nothing owed from the bank until the maturity). They do this all day long.

In this elementary overview of the way these work, I hope this is enlightening and helpful to clear the misconceptions and misinformation about project funding trade programs.

As an intake officer to the commitment holder, my job is to help you understand and present you as a viable client for a program, to help decide if you are the right personality, before introducing you to Compliance. Guiding you to a smooth landing as a participant in these "invitation only" opportunities is my role.

Questions?