

UNDERSTANDING PRIVATE PLACEMENT PROGRAMS

INTRODUCTION

This brief account aims at helping you find out about some of the obscure or unclear aspects relating to the Private Placement Opportunity Programs (PPOP) also known as PPP (Private Placement Programs) or under other acronym like PPIP (Private Placement Investment Programs), etc. There are lots of people who know something but cannot grasp the whole picture. The following account is based on our personal experience of several years in this business. To explain the involved matters, we will study it mostly from an investor's standpoint and a broker's standpoint.

TOPICS

Before speaking of Private Placement Opportunities (as follows called PPO) we need to realize some basic reasons for the existence of this business. It means that there is a need to learn some basic concepts about what money really is, and about how money is created, and how the demand for money and credit can be controlled, and that someone can issue a debt note which can be discounted and sold, and resold in an arbitrage transaction (the basic system for running most of these programs), etc.

THE BASIC REASONS

To fully understand what it's all about there are some basic principles that you must understand:

MONEY CREATION

The first reason why this business exists is to create money. More money is created by creating debt. You as an individual can lend out \$100 to a friend, and you can make an agreement that the interest for that is 10% so that he must pay you back \$110. What you have done is to actually create \$10, even though you don't see that money. Don't consider the legal aspects of such an agreement, just the facts. Now, the banks are doing this every day, but with much more money. Banks have the power to create money out of nothing. Since PPO ("Private Placements Opportunities") involves trading with discounted bank issued debt instruments, money is created due to the fact that such instruments are deferred payment obligations (debts). Money is created out from debt. . Theoretically, any person/ company/ organization can issue debt notes (don't look at the legal aspects of it). Debt notes are deferred payment liabilities. Example: A lawful person (individual/company/organization) is in need of \$100 so he writes a debt note for \$120 that matures after 1 year, which he then sells for \$100 (this is called "discounting"). Theoretically the issuer is able to issue as many such debt notes at whatever face value he wants - as long as there are those that believe that he's financially strong enough to honor them upon maturity, and thereby is interested to buy such debt notes. Debts notes like Medium Terms Notes (MTN), Bank Guarantees (BG), Stand-By Letters of Credit (SBLC), etc. are issued at discounted price by some of the major world banks in a very large amount of billions USD every day.

Generally speaking they do "create" such notes (debt notes) "out of thin air" so to speak. That is, they only have to write the document. It's as easy as if you as an individual write a debt note. Now, the core problem: To issue such a debt note is very simple, but the issuer would have problem to find a. buyer unless the buyer "believes" that the issuer is financially strong enough

to honor that debt note upon maturity. Any bank can issue such a debt note, sell it at discount, and promise to pay back the full face value at the time the debt note matures.

But would that issuing bank be able to find any buyer for such a debt note without being financially strong enough?

An example: If you had US\$ 1 million and had the opportunity to buy a debt note with the face value of US\$ 1 million issued by one of the largest banks in Western Europe for let's say US\$ 800,000, a debt note that matures in 1 year, wouldn't you then consider buying it if you had the chance to verify it? Now, if a Mr. Smith approaches you on the street and asks you if you want to buy an identical debt note issued by an unknown bank, would you consider that offer? As you see, it's a matter of trust and credibility only. And now, maybe, you will also understand why there's so much fraud and so many bogus instruments in this business.

LARGE DEBTS' INSTRUMENTS' MARKET

As a consequence of the previous statements, there is an enormous daily market of discounted bank instruments like MTN, BG, SBLC, Bonds, PN, etc. involving issuing banks and long chains of exit-buyers (Pension Funds, large financial institutions, etc.) in an exclusive Private Placement arena.

All such activities on the bank side are done as "off-balance sheet activities", and as such, the bank can benefit in many ways. Off-Balance Sheet Activities are contingent assets and liabilities, and as such the value depends upon the outcome upon which the claim is based, similar to that of an option. Off-Balance Sheet Activities appear on the balance sheet ONLY as memorandum items. And it's first when they cause a cash flow that they will appear as a credit or debit in the balance sheet. The bank does not have to consider binding capital constraints, as there's no deposit liability.

NORMAL TRADING VS PRIVATE PLACEMENT

All trading programs in the Private Placement arena involve trade with such discounted debt notes in one way or another. And to bypass the legal restrictions this can only be done on a private level. This is the reason why this type of trading is so different from the "normal" trading, which is highly regulated. In other words, this business can be done and restricted on a private level only (the Private Placement level) that falls down in a special regulation without the usual strict restrictions present on the securities market.

The normal trading known by the public is the "open market" (as the "spot market") where discounted instruments are bought and sold with bids and offers like an auction. To participate here the traders must be in full control of the funds, otherwise they cannot buy the instruments and sell them on. And there are no arbitrage buy-sell transactions on this market because all participants can see the instruments and their prices.

However, beside this "open market" there's a "closed, private market" where a restricted number of "master commitment holders" is the inner circle. These master commitment holders are Trusts with huge amounts of money that enter contractual agreements with banks to buy a certain number of new issue (fresh-cut) instruments at a specific price during a specific period of time. Their job is to sell these instruments on, so they contract sub-commitment holders, who contract exit-buyers.

These "programs" are all based on arbitrage buy-sell transactions with pre-defined prices, and as such, the traders never need to be in control of the investor's funds. However, no program

can start unless there's enough money behind each buy-sell transaction. And it's here the investors are needed, because the involved banks and commitment holders are not allowed to trade with their own money unless they have reserved enough funds on the market, money that belongs to the investors which is never used, and never at risk.

The involved banks (the Trading Banks) can lend out money to the "traders" and it's typically 1:10 but can during certain conditions be as much as 20:1. So if the trader can "reserve" \$100M then the bank can lend out \$1B (actually, the bank is giving the trader a line of credit based on how much money the trader/the commitment holder has, since the banks don't lend out that much money without collateral) and not depending on how much money the investors have.

[Note]: as abbreviation, M is Million and B is Billion and K is thousand ... so \$100M means 100 millions USD, \$1B means 1 Billion USD and \$1K means 1 Thousand USD.

So, if a trader says that he must be "in control" of the investor's fund then it means that he's not one of the "big boys" but plays on the open spot market. In this market lots of different "instruments" are traded. If the trader only needs to reserve the investor's funds, and doesn't need to be in control of the funds, then he's trading in this "private market".

Because lots of bankers and other people in the financial world are well aware of the open market, as well as being aware of the so-called "MTN-programs", but are closed out from the private market, they find it hard to believe that the private market exists.

ARBITRAGE AND LEVERAGE

The real core of the trading and its safety is due to the fact that they arrange the buy-sell transactions as arbitrage, which means that the instruments will be bought and sold at the same time with pre-defined prices, and that a chain of buyers and sellers are contracted, incl. the exit-buyers who often are institutions, other banks, insurance companies, big companies, or other wealthy individuals. The issued instruments are never sold directly to the exit-buyer, but to a chain of up to 3 - 7 or 50 investors. The involved banks cannot for obvious reasons directly participate in this as in-between buyers and sellers, but they are still profiting from it indirectly, because they are lending out their money (with interest) to the trader, or to the investor as a line of credit. This is the leverage. Further the banks profit from the commissions involved in each buy/sell transaction of debt bank instruments in the trading circle. Now, the investor's principal doesn't have to be used for the transactions, but it's only reserved as a compensating balance ("mirrored") against this credit line. And this credit line is then used to back up the arbitrage buy-sell transactions. Now, since the trading is done as arbitrage, the money (the credit line) doesn't have to be used, but it must still be there available to back up each and every buy-sell transactions. Such programs never fail because they don't start before all actors have been contracted, and each actor knows what role to play, and how they will profit from the transactions. This is the real type of PPO's!

A trader that is able to leverage is able to control a credit of typically 10 to 20 times that of the principal, but even though he's in control of that money he's not able to spend the money. He only needs to show that he has the money and that he's in control of the money, and that the money is not used somewhere else at the time of the buy-sell transaction. The money is never spent. And the reason is that the trading is done as arbitrage transactions. Let me present an example:

Let's say that you're offered the chance to buy a car for \$30K and that you also find another buyer that is willing to buy it from you for \$35K. If the buy-sell transactions are done at the same time, then you don't have to spend \$30K and then wait to earn the \$35K since it can be done at the same time you cash in \$5K in profit. However, you must still have that \$30K and prove that you're in control of it.

Arbitrage transactions with discounted bank instruments are done in a similar way. The involved traders never spend the money, but they must be in control of it. And the investor's principal is reserved directly for this, or indirectly in order for the trader to leverage (= he's using a credit line that is 10 to 20 times of the principal, and is thereby able to trade with 10 - 20 times as much money).

Confusion is rife because most seem to believe that the money must be spent. And even though this is the traditional way of trading - buy low and sell high, and also the common way to trade on the open market for securities and bank instruments, it's possible to set up arbitrage transactions if there's a chain of contracted buyers.

You can also realize now why in these' Private Placement Programs the investor funds are always safe without any trading risk or whatever other risk except for the normal bank system risk (a bank can still virtually go in bankrupt!!).

HIGH YIELD

Usually these programs get a very high yield if compared with the common yield reachable with the traditional investments. Most people do not believe that a yield of 50%-100% per week is possible. It is again a problem of knowledge of working programs and this example can shed some light on the matter:

Assume a leverage effect of 10:1, which means that the trader is able to back each buy-sell transaction with 10 times the amount of money that the investor has in his bank account. Let's say that the investor has \$10M, so the trader is able to work with \$100M. Now let's assume that the trader is able to do 1 buy-sell transaction per day for 3 days per week for 40 banking weeks (that's 1 year), and that the profit is 5% in each buy-sell transaction. That makes $5\% \times 3 = 15\%$, and with the leverage effect the profit will be 10 times as high, or 150% per week. Then this return will be split between the investor and the Trading Group (for projects) but the final net yield for the investor will still be a double-digit weekly yield!! Bear also in mind that the above example can be still seen as conservative because tier one level Trading Groups can get a much higher single spread for each transaction as well as a markedly higher number of weekly trades enhancing considerably the final yield!!

I understand that such a high yield might seem ridiculously high, but that is because it's compared to traditional ways of investment and trading.

INVESTORS

The involved investors (the Program's Investors) are not the end-buyers in the chain, but the real end-buyers are financially strong companies who are looking for a long term and safe investment, like pension funds, trusts, insurance companies, etc. And because they are needed as end-buyers they are not permitted to participate "in-between" as investors. The investor who participates in a Private Placement Investment Program is just an actor in the picture amongst many other actors (bank instruments issuing banks as top world banks, exit-buyers as pension-funds/insurance, etc., trading groups as traders/commitment holders, intermediaries/brokers)

who gets the advantage to benefit from this trading. The investor usually does not see most of the actors involved in the process because he will deal with brokers, Trading Groups / Traders and Trading Banks only.

PROGRAMS STRUCTURE

Usually, a trading program is nothing other than a pre-arranged buy/sell transaction of discounted banking instruments made as an arbitrage transaction. Virtually, an investor with large amount of funds (on the level of 100M-500M USD) could arrange for his own program by implementing for himself the buy/sell transaction; but in this case he needs to gain control of the whole process making contact with the Provider banks for the bank instruments and at the same time for the exit buyers. This is not a simple task at all considering that there are many FED restrictions to be passed and at the same time it is very difficult to get the strong necessary connections with the related parties (the issuing banks/providers for the bank instruments and the exit-buyers).

For an investor it is much simpler (and usually more profitable) to enter a program where the Trader with his Trading Group has already everything in place (the issuing banks, the exit buyers, the contracts ready for the arbitrage transaction, the line of credit with the trading banks, all of the necessary guarantees/safety for the investor, etc.) and the investor needs only to agree with the contract proposed by the Trader forgetting about any other underlying problem.

Another advantage for the client is that he can enter a program with a substantially lower amount of money against the case to proceed by himself because he will take indirectly advantage of the line of credit of the Trading Group.

NON-SOLICITATION AND NON DISCLOSURE

As a direct consequence of the Private Placements' environment where this business has to take place, a Non Solicitation regulation has to be strictly followed by all of the involved parties. This factor strongly influences the way the parties and actors can deal each other and the way they can make contact. Sometimes this fact can be also the cause of the origin of scams (or attempts to scam) due to the fact that at an early stage it is often difficult for the investors to realize if they are really in contact with a reliable source.

There is another reason why so few experienced people talk about these transactions: virtually every contract involving the use of these high-yield instruments contains very explicit non circumvention and nondisclosure clauses forbidding the contracting parties from discussing any aspect of the transaction for a period of years.

Hence, it is very difficult to locate experienced contacts who are both knowledgeable and willing to talk openly about this type of instrument and the profitability of the transactions in which they figure. This is a highly private business, not advertised anywhere nor covered in the press, and not open to anyone but the best-connected, most wealthy entities that can come forward with substantial cash funds.

HOW BANKS AND BROKERS CAN EARN

Banks are not allowed to act as investors in such programs. However they are able to profit from it indirectly in different ways (firstly getting large commissions). This fact permits some private entities like brokers, trading groups and private investors to take part in this business

that otherwise would be a banking matter only! The private assets coming from private clients are necessary to start the process. These private large cash funds are the mandatory requirement for the buy/sell transactions of banking debt instruments and, as a consequence, also the mandatory requirement for the programs through the Trading Groups. Brokers are necessary to introduce the investors to the Trading Groups! Thus each of the involved entities takes their part in the sharing of the benefits (commissions for banks/ brokers and proceeds for Trading Groups and investors).

PROJECTS

Projects are usually involved in these programs. However the purpose of this type of trading is NOT to finance humanitarian projects. It's true that projects (not just humanitarian projects) can be funded as a result of this trading, and since this type of trading generates such huge amounts of money on the market, measures must be taken to keep the inflation low, and one way is to finance different projects. If too much money is created, the result is inflation, and in order to be able to continue creating debt, different measures must be taken to keep the inflation low. One way is to adjust the interest rates. However, for this kind of trading this is not possible; it has little or no effect. A better way is to let some of the profit be used for different projects that need funding, for instance to rebuild the infrastructure in regions of the world that have experienced catastrophes, war, etc. because that creates job for people in that region, as well as for subcontractors in the west.

So, the reason for project funding is primarily not to support humanitarian organizations (even though that also happens) but to fight against inflation.

PROCESS SYNTHESIS

The complete process involving the issuing of debt-notes, the arbitrage transaction, the programs, the projects, etc. is as a final synthesis a result of combined market forces: Banks have a method of increasing their revenues and profits, investors are able to finance different ventures, borrowers are able to access loan funds. There is a supply and demand for such instruments, and as long as the supply and demand exists then also this kind of trading will exist.

PROCESS SUMMARY

As a summary of the process involved for entering a program:

A. An investor with 10M USD and up can be an applicant for a Private Placement Investment Program

B. This business is entirely private. To get access to these investment programs, the investor needs to send his preliminary documentation to some broker whom the investor trusts to be in direct contact with the Trading Group. There is no other way for the investor to get contact with the Trading Group at this stage.

C. After the investor has sent his own paperwork, the Trading Group will proceed to its Due Diligence on the applicant and if the response is positive, and if cleared, then the program manager in the trading group will contact the investor by phone and/or fax and invite the investor to a face-to-face meeting. However, usually, if the investor is not willing to travel, everything can be done by fax, phone, and courier mail. If not cleared, then the program

manager will contact the broker and tell him that the investor did not qualify (and then the broker forwards on that information to the investor who often gets mad and might discredit the broker and intermediary, maybe on a due diligence message board).

D. During the contact with the investor, the Trader will explain the program terms/conditions, the guarantees, the contract details as well as the next step required to start the program. Then, if necessary and required by the program terms, the investor will get instructions to open a new sole signatory bank account at the Trading Bank for transferring the funds there. The Trader has prepared everything; so the investor is able to open the bank account directly without delay (because he has already been cleared). Otherwise the investor will be invited to prepare his own bank to block/reserve the funds into his own account at his own bank for one year without any transfer of money.

E. The investor will receive a contract which states the total gross yield, the percentage of the gross profit reserved for projects, the percentage for the Trading Group and the percentage for commissions/fees to be deducted for brokers/intermediaries. The net return to the investor will be wired to another investor returns' account that can be located in any bank worldwide. If the client accepts the contract, the contract is signed and the program is ready to start

F. The trader is now able to leverage the investor's reserved money 10 times, and is now able to back up the arbitrage transactions with that money, a credit line that remains in the bank account that is screened before each arbitrage buy-sell transaction. Trading now continues, and the profit is paid out once per week (or per day or per month or whatever depending on the program terms) to the investor. The investor instructs the bank to wire out the commissions part to the broker's bank coordinates. The program continues the above loop for each week until the end of the program (usually 40 banking weeks).

The programs can work with cash only. This fact does not mean that the investor will only be accepted in the case he owns cash. The investor can be accepted by some Trading Groups also with financial assets like MTN, BG, CD, SBLC, SKR, etc. that the Trader then will use for getting his own line of credit at the Trading Bank to run the program. In this case the investor will have the advantage of profiting both from the program and still from the yield coming from the instrument (i.e. the scheduled interest of a CD or MTN).

ANALYSIS OF RISK INVOLVED IN PPO CONTRACTS

Finalizing PPO contracts with investors is usually always a long stressful process because the involved parties can meet many problems on the way. We will observe a list of possible problems of behavior from the standpoint of the main parties involved at the bottom line of the process:

- a) the investor,
- b) the brokers/intermediaries

Then there will follow some hints on possible scams and warning for scams in this business.

FROM THE INVESTOR'S SIDE

The applicant investor will not be able to meet "a real trader" in this business directly and without the pro per introduction, and such an introduction requires that the client identifies himself and shows proof that he has enough money. The main reason why there's a broker-

intermediary chain is because the people in the "trading groups" (I use the term "trading group" because there's always a small group of people that work together, and not just a trader) have no time or interest in meeting all the 99% of people who are just fishing for information, and/or who don't qualify because they don't have enough money, or have useless bank instruments.

If you're a qualifying investor then you should try to establish contacts with intermediaries/brokers, and hopefully they will be able to place you in contact with a performing trading group. Don't chase around trying to find "a real trader". Most so called traders in the financial world are not involved in this kind of trading, and those who are, are keeping a low profile and would never talk with an investor that hasn't been cleared first.

When it comes to non-performance, in most cases the problem is on the client/investor side. The client doesn't qualify, because he doesn't have enough money or the bank in which he has the money is too small, and/or is located in the "wrong country", or he cannot move his funds, or he has a bank instrument that cannot be used, or he tries to proceed according to his own procedure and rules, etc. Most of the client documents I've seen over the years have been useless! Sometimes deals are killed because the broker and/or intermediary don't understand what to do. And the worst thing that can be done is to "shop around", trying to find the best deal. It's better to get 20% per month from a program that performs than having to wait for 200% per week from a program that was supposed to work (but never will).

I've met brokers and investors that have chased around for decades without being able to find an open door. And their main problem is that they had the wrong approach. The most common reasons why investors are never able to enter this, kind of trading are often because:

1. They don't have enough money.
2. They don't have the money in an acceptable bank.
3. It's not their money.
4. They don't have full control of the money (or of the bank instruments).
5. They don't have a good explanation of the origin of the money.
6. They don't have cash or they don't have workable assets.
7. They try to proceed according to their own rules.
8. They do not follow the required procedure.
9. They do not collaborate enough with the Trading Group.
10. They delay the delivery of documents or send fake / non-confirmed documents.
11. Their identity cannot be confirmed.
12. They are blacklisted or under investigation.

Remember that the trading group does not have to give any explanation why the investor doesn't pass through the clearance. If they already have a fist of investors awaiting clearance then it doesn't require much to be put aside; to be disqualified.

Things to remember:

A. Investors should understand what is required to qualify: [--] A minimum of US\$ 10 million in cash located in a major bank in Western Europe, USA, Canada, or Australia, money that is clear, can be traced back, and has a non-criminal history. [--] That the investor himself (and the company if he represents a company/ organization) can be cleared. For individuals this is an identity control that the person exists. Note: Individuals coming from certain countries will never qualify.

B. Investors are invited and might be accepted. They can never demand to be accepted just because they have lots of money, and/or they believe they are prominent people. Most people in the different trading groups are fed up with such inflated individuals, and are just waiting to find an excuse to kick them out.

C. The investor himself must be the one and only person that the trading group deals with. He's not allowed to let his lawyer, or sister-in-law-who-is-fluent-in-English, or whatever person, contact any person in the trading group, not even the broker. If the investor doesn't speak English and needs assistance, then he must sign a Limited Power of Attorney for such a person. But such a LPOA will only be accepted for communication purposes. The investor must still sign the documents.

D. Investors who have the least money are always placed last in the queue. An investor with \$100M will get more attention than an investor with \$10M. Investors who have assets other than cash will also always be placed last in the queue. This means that sub-\$100M clients must be patient. If they are told that they will be contacted next week they should accept that and not take that as an excuse to shop around.

E. It's not easy for an investor to be sure that he meets the right people; intermediaries and brokers who know what to do and not to do, and who are working with a performing trading group. The best he can do is to educate himself and not be lured by those who claim that their program will give the highest yield. He must also be patient, and trust the intermediary or broker. This one can be the most important initial problem from the investor's point of view. However, there's no way that the investor is able to come into contact directly with the trade group before he has been cleared (which requires passport copy + proof of funds). He might be able to talk with someone in the group, or at least with the broker once the required documents have been sent in, but before he has been cleared he will not get further.

F. If the investor for any reason is unsatisfied with the broker and/or intermediary then he can try another one after having first sent a Cease and Desist order. In most cases where investors have been blacklisted because they have been shopping around, it's their own fault. Brokers/intermediaries cannot be blamed if the investor is shopping around. And those brokers/intermediaries who once make the mistake of shopping around will soon be blacklisted as well.

These are some of the main risks the investor can meet:

1. Nothing will come out of the trade; no contract and no profit, just frustration after weeks/months of waiting.
2. Investors or their Intermediaries and/or Brokers are "shopping around" with client documents, which sooner or later will result in blacklisting.
3. The investor is told that he must move his funds out of his own control; to an escrow account, etc.
4. The investor is told that he must buy a bank instrument for his money. In the worst-case scenario this instrument is a fake, or impossible to use.
5. The investor is told that he must pay up-front fees, because a leverage of his funds must be done, or some bank instrument must be discounted, or banking fees must be paid, etc. The up-front fees paid are lost, and nothing more will happen.

FROM THE BROKER'S & INTERMEDIARY'S SIDE

There is a common misuse of such terms as brokers, intermediaries, facilitators, etc. and the fact is that they are not official terms in banking or finance, but such terms are used within trading groups and in their communication between each other. The problem is that it sometimes happens that a broker or an intermediary claims that he's in direct contact to a person with that title, but that doesn't guarantee anything, because any person can call himself a trader, or a commitment holder, or whatever. And since such positions cannot be verified (at the first stage) such titles can be meaningless as seen from the investors' point of view.

There's always a chain of trading group - broker - intermediary, and this is for two reasons: First, trading groups are not allowed to solicit, nor are brokers, not even intermediaries. However, an intermediary might know an investor with money, who knows a broker, who works in connection with one or several trading groups.

Secondly, to protect the involved parties on the side of the trading group, they work through several brokers, and the brokers work through several intermediaries.

As an additional task of a good broker, he should screen the potential investors filtering the most promising applicants and at the same time collecting from them the right documentation after a strict checking for the quality and acceptability of the client documentation in a way that the trading group receives workable documentation only from the broker.

The most common risks or problems that a broker, an intermediary or a facilitator can meet during their own work in this business are:

- They need to handle tens and tens of clients before finding a right applicant
- They could get just apart of the truth regarding the asset of the client at an early stage that may be discovered later to be unworkable after weeks or months of work on it
- They always have difficulty qualifying themselves with new clients because they cannot show any past performance or past contract and the relationship with the client is just a matter of trust at an early stage
- There could be a long list of brokers and/or intermediaries between the client and the trading group. In this case, some broker in the middle can destroy the deal by not giving the right information to the client or to the trading group and/or making problems with the fee agreements
- There could be several levels involved for the intermediaries: the closest one to the trading group (sometimes called also facilitator) is the most important person ... this person should have a direct contact with someone of the trading group. Any other broker beneath the above facilitator has a lower value in the hierarchy. The broker and/or the intermediary can have problems showing the client his level in the hierarchy at an early stage

Virtually this business could seem very simple! You just need a clear client with funds for 10M and up in a Top Bank, a broker in direct contact with a real strong Trading Group and a right client who can follow the procedure in a risk free position! However, from a practical point of view, the above ideal situation is so unusual as not to equate to reality! First of all, most of the applicant clients usually have some problems with their funds or they are not in full control of them or they cannot or do not want to move their assets or they are not cleared or they are not collaborative enough to deal with the Trading Group and/or with the brokers.

In conclusion, the broker's job is very a stressful activity and any new applicant could have a hard job for many years educating himself before getting the right attitude (frustration and patience are a "must" here!).

SCAMS

From time to time you may hear about scams (or potential scams) in the High Yield Investment Programs' arena. One of the conditions that facilitate scams in this business is due mainly to the non-solicitation environment and the private approach required that forces information to remain as pure whispered gossip ready to be expressed aloud at any time. That fact facilitates a diffuse level of ignorance in this matter where scammers are in their element!

Possible scams could be:

- The intermediary asks for up-front fees (in a real situation no one will ask for up-front fees to the client)
- You are asked to transfer the money into an escrow account not in full control of the client
- You are asked to buy a bank instrument against the funds to start the program (that later will be discovered to be of no value)
- You are asked to pool the funds together with other little investors

Internet is now full of different money-making opportunities that promise to return a high yield on the small investor's money. In most cases such programs are ponzi-schemes / pyramid-schemes. And even if a few might be managed by honest people who are trying to aggregate enough funds in order to enter this kind of trading, they are doomed to fail. First we have the above problem with the \$10M minimum, so there's no real point in trying to pool less than \$10M. Then we have the legal aspect of it. In many countries it's illegal to pool money with promises of a high return. Then we have the problem with the high number of participants to be managed. Another problem is the time factor. Unless the program is hyped on the net it will take years to aggregate that amount of money. Another problem is the management. How can they be trusted? And finally, if they manage to aggregate \$10M from thousands of participants they will not pass the clearance, because aggregated/ pooled money like that is not allowed to enter trading.

However, the main scams are usually made or attempted with small investors that never will qualify as PPO investors. Usually, it is very rare that a real wealthy investor with 10 millions USD and up can fall into this kind of scam. In fact, usually, larger investors know more about finance and also they can use many other financial experts to drive the deal on a "safety road". So, anyone who is quite educated in this business can easily discover any of these scam attempts at an early stage.

WARNING ON SCAMS

It is very common to find on the Internet so many web-sites or message boards or links to so called official documents or reports of the "Financial Authorities" warning the public that this business "does not exist" and any of these offers are always scams

The reports in question could have been written by the SEC, FBI, ICC or any regulatory authorities. It's nothing to be amazed about. You should be aware that official documents like the Commercial Crime Services' Special Report on Prime Bank Instruments Frauds" by the ICC Commercial Crime Bureau are widely spread and used as a reference by banks, accountant firms, lawyers, SEC, FBI, etc. all around the world. So if ICC says that this is a scam, and your accountant says that this is a scam, and your banker says that it's scam, is it a scam or not?!

You should all understand that most people that work at banks, securities houses, accountant firms, etc. have no insight into this kind of trading and they are very eager to listen and comply with everything said by the authorities. So if SEC, FBI and other say that this all scam then they believe so.

For all you nay-sayers and dis-believers out there who are looking for evidence that this kind of trading exists: Try to learn and understand monetary history and banking, and you will understand that this can in fact work – in theory. You don't have to run around and try to find evidence because unless you have US\$10M to test for yourself you to rely upon others are saying. So we suggest that you find out the truth yourself without listening of what others are saying.

Well, it's not a cover-up, that's for sure, because this is what they are learning and this is what they are told by others.

CONCLUSION

We have general belief that spreading information and knowledge is the best way to fight the evil, the dark side. However, at the same time we're very well aware that it would not be a good idea to reveal everything in this writing, or on public conference or forum. This kind of trading can continue because it's unknown by the public and traditional investors. If all wealthy people knew about it and also had access to it. Or the public or small investors could form an alliance to collect the necessary funds in legal way, then they would not place their funds in the stock or market, Forex or other traditional risk investments. But knowing about it is not the same as having access to it. And we who work professionally in this business must be extremely cautious when it comes to sharing contacts. This is also one reason why clients never are able to deal directly with the facilitators before they and their funds have been cleared. So facilitators work with the help of brokers, who work with the help of intermediaries... and the investors have to help the brokers and the intermediaries in their work to get firstly an advantage for themselves to be able to access this world smoothly!