Crossway Capital

Guide to Private Placement Programs (PPP)

"…the placement of private funds into a private trade program."

PPP's can be used to finance major projects in

Infrastructure • solar • wind • waste-to-energy/bio-mass • hydro • hotels/resorts • gas/oil • agriculture • IT/e-commerce • transport • airlines • all other sectors

Under current regulations it is not necessary to show a project to enter a PPP. It is accepted by the trading groups that, should you enter a program, your profits will be recycled into further wealth creation.

PLEASE NOTE: Whilst USD ($) is used throughout this document, some programs also operate in EUR

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Introduction

A constant theme running through the global non-bank finance market as it has evolved since the 2008 crash, has been private placement programs (PPP's). Sadly, the whole sector has become tainted as unscrupulous individuals, with no real knowledge of how they operate, have persuaded the unaware to part with significant sums of money on the expectation that they were going to reap outstanding returns. So prevalent did these scams become that the FBI and other agencies actually put out warnings that these programs are, in themselves, a scam.

Blame the internet, it's the cause of much grief in the market generally! It's probably true to say that less than 1% of what's on offer on the internet is real. But, nevertheless PPP's are a genuine, private 'Tier-1' market place where financial instruments of many types (mostly MTN's) are transacted by independent traders and trading groups, operating across the world's top-tier banks. The market has operated successfully for seven decades.

This Guide is written with the intent of assisting those considering entering this market to make the right decisions. It explains some of the obscure or unclear aspects of PPP's and has been prepared from personal experience, and also plagiarizing content from papers produced by others who, because of the confidential and sensitive nature of these programs, prefer to remain anonymous.

Before tackling the topic, it is important to understand the basic reasons for the existence of PPP's. This document explains the core concept of what money is and how it is created; controlling the demand for money and credit, and the process of issuing a debt note; discounting the note, and selling and reselling it in arbitrage transactions – and how all this leads to exceptional profits, often used for major project or (private) corporate financing.

HISTORY

The history of PPP's goes back to as far as the 1930's where it was developed, after the global depression, by the USA and Switzerland based on a unique money-lending/creation structure then operated in Siam (Vietnam). How well it worked (or not) has been lost in the annals of economic history. However, it was re-energised and significantly updated in 1944 when the world was reeling from the devastation inflicted by World War II. Economic destruction, human misery and dislocation existed on an unprecedented scale.

This was the world as it existed in July 1944 when 730 of the western world's most prominent economic, social and political minds met in Bretton Woods, a small vacation town in New Hampshire. John Maynard Keynes, who needs no introduction presented a radical plan, based on the Siam experience, to rebuild the world's economy and, hopefully, avoid a third world war.

The world listened and his initiatives eventually led to the establishment of the IMF, World and G7. The IMF and World bank regulate a financing structure for which the first major application was the Marshall Plan, which financed the rebuilding of Europe and much of Asia after WWII.

Explanation and evolution of PPP's

Money Creation

First and foremost, PPPs exist to 'create' money. Money is created by creating debt.

For example, you as an individual can agree to loan $100 to a friend with the understanding that the interest for the loan will be 10%, resulting in a total to be repaid of $110. What you have done is to actually create $10, even though you don't see that money initially.

Don't consider the legal aspects of such an agreement, just the numbers. Banks are doing this sort of lending every day, but with much more money giving banks the power, essentially, to create money from nothing. Since PPPs involve trading with discounted bank-issued debt instruments, money is created due to the fact that such instruments are deferred payment obligations, or debts. Money is created from that debt.

Theoretically, any person, company, or organization can issue debt notes (again, ignore the legalities of the process). Debt notes are deferred payment liabilities.

Example: A person (individual, company, or organization) is in need of $100. He generates a debt note for $120 that matures after 1 year, and sells this debt for $100. This process is known as 'discounting'. Theoretically, the issuer is able to issue as many such debt notes at whatever face value he desires – as long as the buyers believe that he's financially strong enough to honour them upon maturity.

Debt 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 every day.

Essentially, they 'create' such debt notes out of thin air, merely by creating a document.

The core problem is that to issue such a debt note is very simple, but the issuer would have problems finding buyers unless those buyers 'believe' that the issuer is financially strong enough to honour that debt note upon maturity. Any bank can issue such a debt note, sell it at a 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?

If one of the largest banks in Western Europe sold debt notes with a face value of €1 million at a discounted price of €800,000 most individuals would consider purchasing one, given the financial means and opportunity to verify it beforehand. Conversely, if a stranger approached an individual on the street with an identical bank note, issued by an unknown bank, and offered it for the same sale price; most people would walk away. It is a matter of trust and credibility.

This also illustrates why there's so much fraud and so many bogus instruments (and the joker-brokers and dreamers who promote them) in this market.

Large Debt Instruments Market

As a consequence of 'money creation' above, there is an enormous daily market of discounted bank instruments (e.g., MTN, BG, SBLC, Bonds etc) involving issuing banks and groups of exit-buyers (pension funds, large financial institutions, etc.) all operating in an exclusive Private Placement arena.

All such activities by the bank are done as 'Off-Balance Sheet Activities'. As such, the bank benefits in many ways. Off-Balance Sheet Activities are contingent assets and liabilities, where the value depends upon the outcome of which the claim is based, similar to that of an option. Off-Balance Sheet Activities appear on the balance sheet ONLY as memoranda items. When they generate a cash flow they appear as a credit or debit in the balance sheet. The bank does not have to consider binding capital constraints, as there is no deposit liability.

Minimum deposit
The minimum deposit to enter a PPP is usually $100 million, however Crossway Capital can sometimes enter clients into programs for $50 million and, if the timing is right $10 million.

Large institutions, funds and foundations sometimes deposit funds in their tens of billions to create money for major projects, particularly in the developing world. The World Bank, IMF and other global monetary authorities do not have any concerns about the inflationary effects of this new money, as it is always absorbed through labour and materials.

In these programs, you will enter into a JV with the trade group and have your 50% of profits paid to wherever you instruct them to pay it. Alternatively, you will enter into a generic contract where your profits are simply paid to you from the trading group.

It is possible with some of these programs that you will be able to automatically roll-over your profits - a compound trade. An extraordinarily effective capital enhancement tool. Whereas, many other buy/sell programs required you to withdraw your profits on a regular basis. It all depends on the jurisdiction and other considerations. Examples of PPP and Buy/Sell Program performance is shown below.

PPP Performance (demonstration only):

Placement:	$100m
Monthly Returns:	Estimate 100%
Frequency:	10 Months/40 Weeks
Total Earnings:	$1Bn

The explanation for how the above yields are delivered across PPP's are presented in High Yield – How PPP's Yield Your Exceptional Profits (p8 below).

WARNING: Please be aware there are far more fake Buy/Sell deals than there ever are PPP's which start from $100m, and with no movement of capital, or kept 100% under owner control. See Protection of Placement Funds (p9 below).

‘Normal’ trading vs private placement

Please read this section carefully to gain a full understanding of how the exceptional profits associated with PPP’s are generated.

Introduction

All trading programs in the Private Placement arena involve trade with discounted debt notes in some fashion. Further, in order to bypass the legal restrictions, this trading can only be done on a private level. This is the main difference between PPP trading and ‘normal’ trading, which is highly regulated. This is a Private Placement level business transaction that is free from the usual restrictions present in the securities market. It is based on trusted, long-established private relationships and protocols.

Normal trading activity is performed under the ‘open market’ (also known as the ‘spot market’) where discounted instruments are bought and sold with auction-type bids. To participate in such trading, the trader must be in full control of the funds, otherwise he has no means of buying the instruments before reselling them.

However, in addition to the widely recognised open market there is a closed, private market comprising a restricted number of ‘master commitment holders’. These are trusts, foundations and other entities with huge amounts of money that enter contractual agreements with banks to buy a limited number of fresh-cut instruments at a specific price during an allotted period of time. Their job is to resell these instruments, so they contract sub-commitment holders, who in turn contract exit-buyers. This form of pre-planned and contracted buy/sell is known as arbitrage, and can ONLY take place in a private market (the PPP market) with pre-defined prices. Consequently, the traders never need to be in control of the client's funds.

No program can start unless there is a sufficient quantity of money backing each transaction. It is at this point that you, the client, is needed because the involved banks and commitment holders are not allowed to trade with their own money unless they have reserved enough funds, comprising money that belongs to clients, which is never at risk.

The ‘host’ trading bank is then able to loan money to the trader against your deposit. Typically, this money is loaned at a ratio of 10:1, but during certain conditions it can be as high as 20:1. In other words, if the trader can ‘reserve’ $100 million of client funds, then the bank can loan $1 Billion against it, with which the trader can trade. In all actuality, the bank is giving the trader a line of credit based on how much client funds he controls, since the banks can’t loan leverage money without collateral.

Because bankers and financial experts are well aware of the ‘normal’ open market and of so-called ‘MTN-programs’, but are closed out of this private market, they find it hard to believe that it exists. Bankers in top-tier, global banks (where this trading takes place) are ignorant that this trading exists within their own institutions because it happens at a level far removed from their own mainstream corporate or retail banking operations.

Arbitrage and Leverage

Private Placement trading safety is based on the fact that the transactions are performed as arbitrage. 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 large financial institutions, insurance companies, or extremely wealthy individuals. The arbitrage contracts, provision of leverage funds from the banks and all settlements follow long-established and rapid processes.

The issued instruments are never sold directly to the exit-buyer, but to a chain of market participants. The involved banks are not allowed to directly participate in these transactions, but are still profiting from them indirectly by loaning money with interest to the trader as a line of credit. This is their leverage. Furthermore, the banks profit from the commissions involved in each transaction.

The client's principal does not have to be used for the transactions, as it is only reserved as a compensating balance (‘mirrored’) against the credit line provided by the bank to the trader. This credit line is then used to back up the arbitrage transactions. Arbitrage trading does not require the credit line to be used, but it must still be available to back up each and every transaction.

Such programs never fail because they don't begin before arbitrage participants have been contracted, and each actor knows exactly what role to play and how they will profit from the transactions. The trader is usually able to secure a line of credit typically 10 to 20 times that of the principal (the client’s deposit). Even though the trader is in control of that money, the money still cannot be spent. The trader need only show that the money is unencumbered (blocked), and is not being used elsewhere at the time of the transaction.

This concept can be illustrated in the following example. Assume you are offered the chance to buy a car for $30,000 and that you also find another buyer that is willing to buy it from you for $35,000. If the transactions are completed at the same time, then you will not be required to ‘spend’ the $30,000 and then wait to receive the $35,000. Performing the transactions at the same time nets you an immediate profit of $5,000. However, you must still have that $30,000 and prove it is under your control.

Arbitrage transactions with discounted bank instruments are done in a similar way. The involved traders never actually spend the money, but they must be in control of it. The client's principal is reserved directly for this, or indirectly in order for the trader to leverage a line of credit.

Confusion is common because the perception is that the money must be spent in order to complete the transaction. Even though this is the traditional way of ‘normal’ trading - buy low and sell high – and also the common way to trade on the open market for securities and bank instruments, it is possible to set up arbitrage transactions if there is a chain of contracted buyers, but only in a private market.

This is why client’s funds in Private Placement Programs are always safe and without any trading risk.

High Yield – How PPP's Yield Your Exceptional Profits

Compared to the yield from traditional investments, PPP's deliver a very high yield. 25%-100% (or more) per week is possible.

And this is how:

- Assume a leverage effect of 10:1, meaning the trader is able to back each buy-sell transaction with ten times the amount of money that you, the client, has deposited with the program.

- In other words, you have $10 million but the trader, because of his leveraged loan with the bank, is able to work with $100 million.

- Assume also the trader is able to complete three buy-sell transactions per week, with a 5% profit from each buy-sell transaction:

(5% profit/transaction) x (3 transactions/week) = 15% profit/week

Assume 10x leverage effect = 150% profit...PER WEEK

Even with a 50/50 split of profit between you and your trading group, this still results in a double-digit weekly yield.

This example can still be seen as conservative, since Tier-1 trading groups, like the ones Crossway Capital can connect you with, can achieve a much higher single spread for each transaction, as well as a markedly higher number of weekly trades.

Protection of Placement Funds

Naturally, your first consideration will be the protection of your deposit. There have been many scams associated with PPP's, and the trade groups understand this. However, from their standpoint, they still have to show the funds as being under their 'control' to their host banks, in order to secure the leveraged funds from that bank, which will deliver the exceptional returns you entered the market to achieve.

Different trade groups and the different programs operated between them use a variety of ways to secure your deposit and these range across:

Blocked funds
Your funds remain 'blocked' in your own account using a SWIFT MT760. An inter-bank mechanism that prevents you using the funds for any other purpose for the period your program is operating.

Sole signatory
The trade group may ask you to move your funds to an account with their host bank (always a global tier-1 institution) where the account will be under your sole signature. No funds can be moved from the account without your say-so.

Non-depletion
The account the traders open for you can also be non-depletion meaning that, no matter what, no funds can be taken from your account by anyone – other than you.

Escrow
Some programs will accept your deposit funds into an escrow account, always with a top-tier bank and under the control of an attorney or recognised and/or authorised escrow agent.

If you are EVER asked for any kind of up-front fee, under whatever pretext, you are definitely not dealing with a genuine trade group or one of their approved introducers. Run.

Non-Solicitation and Disclosure

As a direct consequence of the PPP environment where these transactions take place, a non-solicitation agreement has to be strictly followed by all parties involved. This agreement strongly influences the way the participants can interact with each other. Sometimes non-solicitation agreements foster scam attempts, due to the fact that at an early stage it is often difficult for the clients to recognize reliable sources to be in contact with.

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 non-disclosure clauses forbidding the contracting parties from discussing any aspect of the transaction for a specified number of years. Hence, it is very difficult to locate experienced contacts who are both knowledgeable and willing to talk openly about PPP's and the profitability of the transactions in which they figure.

Genuine PPP's are closed to all but those closest to the market. Which includes Crossway Capital.

NEXT STEPS

If you are considering entering a program please send the following information:

- How much deposit you want to place
- Your country of residence

To PPP@crosswaycapital.com.au

Please also attach:

- Your proof of funds (POF) in the form of a screen grab of your current statement. All account identifiers can be redacted. The traders are only interested in seeing the name of the bank, your name on the statement, the date and current balance. They will not respond to your application unless they see this information.
- A copy of your current passport.

We cannot present you to any group without the above information. They will assess which is the best current option for you and, usually, come back to you directly within 48-hours, after conducting preliminary due diligence, advising if you can be accepted into a program.

Once accepted we recommend you follow their intake and transaction process diligently. Part of that process you will be asked to confirm (and perhaps prove) that your funds have been generated legitimately.

If you are a wealth manager or other professional you will need to come to a fee share agreement with Crossway Capital. Once connected with the relevant group's intake manager you (and Crossway) will be excluded from all further discussion between them and your client.