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International Fiduciary Trades

Overview

The term “International Fiduciary Trades” represents a private category of investments that are not available on the open market.

This special type of Trade is part of the process that brings International Bank Instruments from the Primary Market to the Secondary Market, usually involving Medium Term Notes (MTNs).

These are private and by “invitation only” investments from the world’s largest and most reputable banks. These are unlike any other investment because the returns are not speculative but are contractual, thereby making them immune to negative public market conditions.

Trading does not take place in the US, but occurs primarily in Europe (London, Zurich, Geneva) and Asia (Hong Kong, Singapore) among top-tier, AAA rated banks such as JP Morgan Chase, Credit Suisse, Citi Group, HSBC and others. They generally are only available to Ultra High-Net-Worth Individuals or qualified Institutional Investors and because they occur at the upper echelons of the world financial system they are not available to the general public. For this reason Financial Planners and Financial Advisors are not privy to these investments.

The returns can be contractually as high as double-digit monthly returns and the capital is not put at risk in the trading. With properly structured programs, the Investor's capital never even leaves their own bank account as the investor is acting only as a 3rd party investment partner for the banks.

Banks cannot legally trade their own funds. Therefore, to satisfy the rigid International Banking Regulations that govern this process, the banks must have 3rd party investment funds sitting on their balance sheet at the time of the trades, even though the money is never technically used. Trade proceeds are usually disbursed weekly, over a 40 week period (international banking weeks over 12 calendar months).

These are regulated by strict guidelines established by the International Chamber of Commerce (ICC), the Federal Reserve, European Central Bank, the Bank of International Settlement (BIS) and both Traders and participating financial institutions require special licenses in order to participate.

A cash investor with sufficient capital can bypass the traditional smaller “Middle Man” Trade Platforms and participate directly with the Bank Trade Desk, receiving a contract on bank letterhead, with full banking responsibility. Intermediaries in the form of a Program Manager and a Facilitator serve to pre-qualify investors, answer their questions, and get all the necessary compliance documents.

Due diligence is undertaken by the Investor once they have passed compliance and have received the contract from the Trader stipulating the terms and procedures, on bank letterhead, with full banking responsibility. This gives the Investor full transparency and makes due diligence very easy. The serial number of that contract and the banking license of the Trader can easily be verified by the Investor's own banker. After reviewing the contract and performing banker due diligence, the Investor then decides if they want to move forward or not.

An attorney trained in International Banking Law with many years of experience dealing with these types of contracts is available for qualified applicants upon request to review any and all documents. Investors then enjoy additional protection under the American Bar Association Code of Professional Responsibility Act of 1970.

Background

The "United States Department of the Treasury" (US Treasury), fulfilling its responsibilities under the Bretton Woods Agreement, developed the Medium Term Note (MTN) by employing established European financing methods through which banks and financial institutions commonly finance long-term loans by selling Letters of Credit or Bank Notes of medium term to provide funding for loans.

The MTN bank issues are debt instruments that are legally allowed to be excluded from the debit side of their ledger or "**off-balance sheet**", but count towards the bank's capital reserves. Funds received by issuing these instruments rank at equal rate with depositors accounts, but these are long-term "contractual obligations" and as such are allowed to be **listed in the footnotes instead of on the balance sheet**.

As banks have the ability to borrow funds on a leveraged ratio against their capital reserves, in order to engage in fractional reserve lending, this method of financing can be very profitable.

In the post-World War II era, the Bretton Woods Agreement created a stable international financial system and a mechanism to finance macroeconomic projects to re-build parts of Asia and Western Europe. The US Treasury and the "Federal Reserve System" (Federal Reserve) developed an instrument that may be traded to create new credit and that credit would be used in specific approved macroeconomic projects, allowing such funds and credit to be applied in geographical areas requiring credit and cash infusions to survive and grow.

While that understanding or intent remains true today, it is no longer always a necessary requirement to involve an economic project / humanitarian project. Investors can engage in either wealth creation or project funding, depending on the client's goal and the terms of the trade program.

The contracts to purchase and sell these MTNs are managed and/or approved by the US Treasury, and are administered by prime US and European bank syndicates.

The US Treasury or the Federal Reserve may price these instruments at whatever price is necessary to provide the needed new credit in the geographical location or for the project(s) for which they have been approved.

Not all applicants or projects are approved. Both the applicant and the funds that will be used to purchase and sell the financial instruments must be screened according to US Patriot Act and Anti-Money Laundering (AML) Guidelines and their European equivalents.

Generally, there is just one Principal (or Asset Provider). That Principal is the owner of the Funds and the Principal is the applicant to the “trade desk”, which must also have the approval to trade from the US Treasury or the Federal Reserve.

Nature of the Investment

These programs are a very low-risk opportunity for an “Investor” who can provide a cash deposit, Bank Guarantee (BG), or a Standby Letter of Credit (SBLC) for a minimum of 100 Million Euro (€100,000,000).

This deposit or Bank Instrument (BI) allows the trade bank to release credit facilities for the trading of MTNs. The notional returns to the Investor/Asset Provider are generally expected to be over 20% per month. This expectation is based on the track-record over the last decade. However, returns are contractually agreed upon by the Asset Provider and the Trader before the trading begins, and can vary on a case-by-case basis.

For Investors who do not have 100M Euro there is the possibility to do a wealth-accumulation “bullet trade”. These are for Investors with a minimum of 10M Euro, and the trade proceeds are paid in one lump sum (usually 7 days to 30 days), in order to help the investor get to the 100M Euro level more quickly.

The Investor's capital is not put at risk in the trading. The Investor's capital is used to trigger a credit line for the bank. The credit line is fully underwritten by the bank before it can be triggered, thereby guaranteeing the Investor's money will never be collateralized.

The investor's capital is not physically involved (prohibited use) with the buy and re-sale exchange activities generating the profit. Fiduciary Trade capital always sits in their own back account, without liability of lien, encumbrance, transfer of control or subject to first call by anyone, and only serves as a security pledge under contract to a trader.

The trader uses this pledge to trigger his own credit facility under contract with his trade bank, which extends a conditional leveraged credit line against the sum total of his capital contracts with Investors. **The bank protects the Investors account from call** in that the credit facility used for the purchase of securities is subject to bank responsible confirmation of a "closed book" sale only.

The trader must have confirmed evidence of contracts with exit buyers (closed book) for the securities before the bank will release the credit line. The sale itself is managed and scrutinized by the bank at all times, as their funds and license are exposed.

In other words, the investor's funds are not directly involved in the buy/re-sale transactions. The **Investor's cash deposit, as a security commitment, is non-callable and not subject to loss liability**

because of the terms and conditions of the credit line facility in which the transaction re-sale funds are in place prior to release of the credit line.

How it Works

The prime banks that offer credit facilities are governed by the Basel II and Basel III Accords, which became effective in September 2006 and January 2010, respectively, which impose strict requirements on bank lending and borrowing. Most notably, a bank's credit lines must be "capitalized" by an acceptable form of collateral (of sufficient value) held "in the care, custody and control" of the credit issuing facility. The collateral is the Investor's cash deposit or BI.

Successful trade programs, besides having unique access to established bank lines-of-credit, require the expertise of qualified licensed traders capable of engaging in the purchase and sale of investment-grade bank debentures in the wholesale market. Traders are licensed by European regulatory agencies, and trades proceed according to strict procedural and legal guidelines. Under present rules, **traders cannot use their own assets to trade**. This is why third-party investors are necessary.

This trading operation is generally referred to as a "controlled", "managed", "closed" bank debenture trading effort because the Supply Side of the financial instruments and the Exit Buyer for the financial instruments have already been pre-arranged and the price of the instruments already established. In other words, the licensed traders contractually manage the buy and the re-sale of the financial instruments before any trading actually takes place, thus the term, "Managed Buy/Sell".

Therefore, each and every completed trade will result in a net gain (and never a net loss) to the trader.

The following procedural protocol are normally be followed:

- The investor's funds are never touched (funds verification only).
- Targeted 30% yield per tranche to clients (maximum allowable by authorities).
- Four tranches a week - with settlements on Friday – there may be multiple trades on a given day.
- No Powers of Attorney.
- No surprises (the Investor/Asset Provider is to be a Signatory to the Buy-Sell Trading Contract).

The crucial distinction, however, is that under a properly managed "buy-sell" transaction, the Investor does NOT transfer any funds to an intermediary escrow attorney or trader, nor are the funds required to be pledged or subjected to a lien.

When moving a MTN into the secondary market, through trading,

1. Master Commitment Holders are first in line;
2. Commitment Holders are second in line;
3. The secondary market comes after that.

A newly issued or "fresh cut" instrument is issued by a bank at a steep discount to face value, for example 58% of face value. It can only be purchased by a Fed authorized Master Commitment Holder, who has a certain quota they have to fill annually in order to keep their Fed appointment.

They line up a number of Commitment Holders who have the exclusive right to purchase these MTNs from the Master Commitment Holders, each in smaller volume and at a slight markup. This is the popular business model of “buy wholesale, sell retail”... buy wholesale in bulk, then sell in smaller quantities at a higher price.

These Commitment Holders can then sell it as a live seasoned instrument into the secondary market, at 98.5% of face value or similar. The resulting spreads can be substantial. They get contractual commitments from the exit buyers before the initial fresh-cut transaction with the Master Commitment Holder is ever triggered.

It is all done digitally... authentication, verification, invoicing and close-out can be done in seconds, using Bloomberg or similar.

Again, BIS regulation is that banks cannot sell their authorized issues to each other, which is where the third-party Investor comes in. The Investor is the key for the trader to unlock the credit line from the trade bank.

The traders who do these trades use credit lines from banks, but the credit line has to be fully underwritten before it can be triggered. In other words, the trader must have confirmed evidence of contracts with exit buyers for the MTNs, what they call a “closed book” before the bank will release the credit line. This is risk-free arbitrage... the simultaneous purchase and sale of the exact same asset, at the exact same time, but at different prices.

The trader keeps a large percentage of that profit and shares the rest with the investor, based upon their contractual agreement.

Payouts are usually weekly. Returns are contractually agreed upon by the trader and the Investor, based upon what paper issues he has lined up, and it is usually listed as a minimum or as a “best efforts” basis. Facilitators can only state “notional double digit returns per month” and must let the trader disclose to the Investor if it ends up being higher, sometimes as high as 100% per month. Facilitators are not allowed to specify returns, as that is privately contracted between the trader and the Investor, after the Investor passes AML compliance.

Because of the high returns, investors with large sums will eventually reach the Wealth Accumulation threshold and will be required to engage in Project Funding, which requires them to donate around 80% of their profits to an economic project (can be as low as 40% or as high as 95%), as non-recourse project funding. However, traders are allowed to make more profit per trade if the client engages in project funding, and because of this higher profitability per trade, the net profit to the Investor can be about the same if they do Wealth Accumulation or Project Funding.

The Federal Reserve requires an accounting of those project funds so that they are released only against certified invoice by the accounting entity. United Nations approval is also necessary for most projects. We have a United Nations Advisor available to fast-track this process.

Experts are also available to assist in helping qualified applicants access Pre-Structured Humanitarian Projects to fit the precise and rigid guidelines covered by International Banking Law and the United Nations.

Risks and Risk Management

There should be no material risks to the cash deposit or BI, given that the absolute priority is the preservation of its value and that the BI remains under the control of the Investor at all times.

Since the cash deposit or BI is required to be a top 25 bank, there is nominal Financial Institution risk, should there be a bank bail-in. However, these trade programs only occur among top 25 banks with AAA credit ratings, which is better than the US Federal Government, and the US Treasury is considered to be the “risk-free rate”.

Investor Funds

Funds have to be of commercial origin, free of any liens or encumbrances. During the term of the Bank Trade, there cannot be any withdrawal of funds from the Client Account, nor shall any loans, credit lines, pledges, hypothecations, liens or encumbrances be placed against it. The cost of doing business is the opportunity cost of that capital just sitting there, not being deployed into other investments.

Institutional investors such as U.S. pension funds are prohibited under ERISA from purchasing anything that is not on-screen (anything other than live MTNs or registered securities which are screen able). A fresh-cut MTN can only become live or seasoned after its title changes and it receives an ISIN or CUSIP number, and it is registered for screening on Bloomberg or Reuters.

MTNs pay much higher yields than US treasuries, a 10 year MTN can pay 7% to 8% whereas the 10 year treasury is only around 2% to 3%, and the MTNs from the top banks have AAA credit rating, unlike the downgraded credit rating of the US treasuries.

The secondary market is dominated by institutional buyers, like pensions funds, sovereigns, and foundations, who buy-and-hold until maturity while collecting their annual coupon interest. They have to match cash outflows with cash inflows, and this is a reliable way for them to be able to do that, without the volatility of market speculation in equity markets. These are part of their conservative allocation, while equities and private equity funds are part of their riskier higher-yield allocations.

Why do banks issue MTNs?

Banks issue MTNs because they can leverage the funds 10:1 and loan it out at interest for 10 years, turning a hefty profit. Below is an illustrative example...

- 1: Full Face Value of MTN Issue (FFV): 10 Billion Euro
- 2: Sell at 58% of Face Value: 5.8 Billion Euro
- 3: Coupon value at 7.5% per annum: 7.5 Billion Euro
- 4: Liability (Point 2- {1+3}): **-11.7 Billion Euro**
- 5: Leverage at 10:1: 58 Billion Euro
- 6: Interest by bank at 3% per annum on Point 5: **17.4 Billion Euro**
- 7: **Profit made by Bank (Point 4+6): 5.7 Billion Euro**

Costs

The Asset Provider is not required to make any upfront fee payments. Because these are International Fiduciary Trades, made by invitation only, under strict non-solicitation rules, it is customary to have facilitating intermediaries involved in the introduction. Those intermediaries are compensated with a small referral fee (usually 1% to 2%) paid out of the trading profits by the Paymaster, before net profits are distributed to the Asset Provider.

Rules of Participation

Potential Investors/Asset Providers must first submit a Client Information Summary (CIS) and Proof of Funds (Tear Sheet, Bank Statement, or Bank Letter) to the Facilitator and Program Manager, in order to pass AML compliance.

It is considered a "privilege" to be invited to participate in a Fiduciary Trade, not a "right." The trading administrators and managers have a virtually endless supply of financially qualified applicants.

Program Managers and their banks will favor the applicant who provides the best paperwork, follows through promptly with all asks, and does not attempt to modify or dictate variations to the standard procedure. An applicant should never underestimate what the trading entities know about them. Failure to provide full disclosure upfront will disqualify the disingenuous.

Applicants must first prove that they are qualified, not the other way around. Until the applicant has passed the AML compliance required by the Trading Banks, no placement can occur nor will any offer be made. The U.S. Patriot Act has introduced obligatory compliance procedures. Program Managers are legally not allowed to discuss yield schedule nor contract terms until AFTER a potential Investor/Asset Provider has passed compliance, or else they could lose their license.

Corporate applicants must empower an Officer or Director as sole/exclusive signatory by using a Corporate Resolution. Not only do the funds have to be on deposit in an acceptable bank, they must also be in an acceptable jurisdiction. Trading does not occur in the US, but funds can be in certain US banks with corresponding branches in Europe or Hong Kong (JP Morgan Chase, Citibank, etc.).

It is felony fraud to submit documents or Financial Instruments that are forged, altered or counterfeit. Such documents (including attempting to submit assets that are not under direct control) are promptly referred to the appropriate law enforcement agencies for immediate criminal prosecution. The practices,

procedures and rules are determined by the U.S. Federal Regulatory Authorities, Western European Central Banks program management, the International Chamber of Commerce (ICC), licensed traders and trading banks. It is their decision whom to accept and whom to reject. Contract terms, yield, schedules, etc., are made to fit their needs and schedules – and not the demands of the investors.

This marketplace is highly regulated and strictly confidential, and absolute confidentiality by the investor is a key element of every contract, with strict Non-Disclosure Agreement that is enforced. A client who breaks confidentiality will precipitate instant cancellation and may be required to repay profits received.

Finally, submission of the application documents to more than one management group at a time is termed "shopping". If an Investor "shops" he/she can expect that this fact shall be quickly disseminated and known among the program management groups who maintain close communication – and will then be accepted by none and rejected by all.

INTAKE PROCEDURES

- 1) Applicant or Applicant's Rep [sends email to Facilitator](#) with the following information:
 - a) Names of the Applicant Rep and Intermediaries, Location & Company name, Corporate Title, State of Incorporation, Email Addresses
 - b) Applicant's Nationality & Country of Residence
 - c) Amount available - Cash or Instrument (Medium Term Note, Bank Guarantee, Standby Letter of Credit, or Certificate of Deposit)
 - d) Where funds are located - Country & Bank name
 - e) What the Applicant is seeking to achieve by going into a Trade: Wealth Accumulation, Project Finance, 40 week trade, bullet trade, etc.
- 2) Applicant speaks with Facilitator on Facilitator's Conference Line. If interested in moving forward, Applicant signs Facilitator's Non-Circumvent Non-Disclosure Agreement (NCNDA) via DocuSign.
- 3) Applicant speaks with Program Manager / Legal Corporate Rep on Facilitator's Conference Line. Applicant cannot dictate terms to Program Manager or they will not be able to move forward.
- 4) Applicant receives email from Facilitator making formal introduction to the Program Manager / Legal Corporate Rep. From this point on the Applicant communicates directly with the Program Manager.
- 5) Applicant emails Client Information Summary (CIS/KYC) & Proof of Funds (POF) directly to Program Manager / Legal Corporate Rep.
- 6) Facilitator emails Intermediary Genealogy to Program Manager to go into file with KYC & POF.

- 7) Program Manager / Legal Corporate Rep submits Applicant and Intermediary info to Compliance.
- 8) If Applicant passes Compliance, Program Manager / Legal Corporate Rep will present contractual offer to Applicant, with detailed terms and procedures.
- 9) Upon receiving trade contract, Applicant can take contract to their banker for bank-to-bank verification of the contract validity (using the serial number), trader's credentials (using trader's license number), and the contractual returns.
- 10) After completing Due Diligence, the Applicant then decides Yes or No, having taken on zero risk and having been given full transparency.

If you would like an introduction to the Facilitator who is an Internationally Recognized MBA from the Wharton School of Business with many years of experience at the highest levels of the Financial and Private Equity Markets and a Mensa Member in good standing with easily verifiable credentials for qualified applicants upon request, you may connect via: [His Calendar](#) to find a good time, or go to <https://calendly.com/calltimes>