The nuts & bolts of a Medium Term Notes [MTNs] Private Buy/Sell Trading Syllabus *a.k.a.* Matched Trades

Considering that top major banks issue Medium Term Notes (known as MTNs or Mid-Term Notes) to raise funds in both U.S. and Euro dollars, we can better understand that they are for the purpose of generating Operating Loans and issuing Letters of Credit to businesses which wish to buy material, services and products from other business organizations in other countries. To further expand on this in layman terms, this therefore results in an International Treaty whereby the U. S. Dollar (or the Euro) becomes the common Medium of Exchange for International Trading at the tier one (highest) level.

In the U. S., by Federal Law, a European bank is not allowed to sell such Medium Term Notes directly to the Public. They must be issued and sold through a Federal Reserve Licensed Trader; just as in the same context a Corporation or a Municipality must sell Bonds through a Dealer or Underwriter.

The Tier One Trader aiding in the distributional sales of newly issued MTNs from the major sized Bank will have a $50B (Billion) contract (or of equivalent amounts) with the Issuing Bank to purchase MTNs for immediate resale. This Trader would instigate the following:

A Non-Revocable Contract (see further explanation in Paragraph A below) with an Exit Buyer, such as a Pension Fund, to buy those MTNs from them immediately, and with a contract with a Participating Investor, acting as the Trader's 'Associate', to furnish their Proof Of Funds [POF] required, simply as a formality, to start and continue the Purchase and Resale series of Transactions.

The Trader also makes contractual arrangements with their own bank, through the 'Back Room' Trading Department at this bank, to act for them during the Transactions of $100M (Million) or greater. This $100M amount is the minimum set by the U. S. Federal Reserve for this type of Bank issued MTN Distribution.

The 'Associate' [Investors/Subscribers] thereby arranges for their bank to issue to themselves a POF using $100M in Cash Funds, which are wholly owned (unencumbered) by them, in their account at their own bank. This enacts the ability to obtain cash credit of $100M for the POF.

This POF is then sent to the Trader in accordance with the contract between Trader and their 'Associate'.

It is important to note that Private MTN Trading is a very specific process with a specific timeline. When less than experienced Associates [Investors/Subscribers] expect absolute perfection and "up-to-the-minute" communication, these immediate reactions inevitably cause more delays, short-comings and frustrations on behalf of not only the Associate but the Trade Platform as well. This unique business is driven by the principal of Supply and Demand.

Several factors influence the timing of entering a trade;

1) the current availability of Medium Term Notes, which can easily be in short supply,
2) the timing of the trade submission and
3) the specific programs that cancel without notice.

On occasion, these unexpected market trends give a false illusion resulting in the sophisticated MTN Trading Platform to appear chaotic. Nothing is further than the truth***!***

Below is a typical (generic) scenario of a Tier 1 Private Mid-Term Notes Buy/Sell Syllabus.

A. The Trader's Bank communicates with the Issuing Bank as well as with the Exit Buyer's Bank, obtaining a detailed agreement with the Issuing Bank Officer and with the Exit Buyer's Bank that they are both prepared to commence the contracted series of Transactions. The Exit Buyer's Bank forwards a POF to the Trader's Bank for the amount of the first purchase of a $100M. Note - When a POF has been issued for the Exit Buyer and forwarded to the Trader's Bank, there is a legal Funding Commitment in place to complete that Transaction, which may NOT be revoked while the transaction is taking place. A ‘Reverse Inquiry’ is launched.

B. The Trader's Bank forwards to the Issuing Bank a POF in the name of the Trader and requests that a MTN be issued in the name of the Trader, along with an Invoice at a discounted price, say for example only $97M, payable in 8 Hours.

C. A copy of the Note and an invoice at $97M, is forwarded to the Trader's Bank, which authenticates all signatures and MTN terms to verify compliance with the Purchase Contract.

D. The Trader's Bank then forwards this copy of the MTN, along with a Conditional Assignment of the MTN, to the Exit Buyer's Bank, along with an Invoice at the Exit Buyer's Purchase Contract Price, $100M for example purposes, payable in 4 hours.

E. The Exit Buyer's Bank authenticates signatures, verifies compliance with the Purchase Contract, and pays the $100M Invoice price to the Trader's Bank for credit to Trader's account, expedited within the 4 hour limit.

F. The Trader's Bank pays the Issuing Bank's Invoice for $97M within the 8 hour limit, along with instructions for the Original MTN to be sent to the Exit buyer's Bank by express courier.

G. The Trader's Bank debits the Trader a Bank Fee (for example purposes 1/4%) for their Services Charges rendered, and forwards the balance ($100M minus $97M minus 1/4%) to the Trader, who apportions same to the Trader's 'Associate' for their service rendered.

H. The Procedure used for this example transaction predictably takes place 3 or 4 times each day of a 4 day business week, and repeats until the Trader's Purchase Contract is completed (typically expires in 12 months).

Generic Equation Example (the Front End) - -

Using this estimated formula, the amounts of the appreciation on the POF amount would be as follows:
(3% per transaction X 3 trades per day X only 4 days per week = a gross weekly gain of 36% - 3% as Bank Fee = then a subtotal of 33% less about 15% fee to the Management of Fund = almost 18% net X 4 weeks per month = about 72% per month divided into three portions[1] = a Net Asset Gain of **double digits** of about 24% **monthly** for each of the 3 portions.

Note: The Operation described above is a very conservative one. There are other MTN Trade Transactions, of the same MTN basis but involving a resale of the MTNs by the 'Exit Buyer', which have a higher Rate of Return to the Trader Group and therefore, an even higher payment to involved Parties (the Back-End).

An experienced Associate can safely state that with the listed procedure and controls for the Transactions, the only reason for a Transaction failing, once commenced, would be for the Exit Buyer's Bank to default on completing a contracted purchase of a Note, which would result in a jeopardy to their Bank Charter.

Should any default take place, it would be quite simple for the Trader to make the required Payments, using their own Funds or Line of Credit, to complete their purchase of the Instrument, and to immediately sell it to a different contracted Exit Buyer. This action by the Trader eliminates any risk of loss by the Buyers and Exit Buyers as well as the 'Associate' (Riskless).

NOTE: With minor variances in the connection of an Associate's/Investor's Funds to a Trader's $100M Operating Fund, an Investor may subscribe in a Fund starting at $10M, or more, with somewhat lower percentage payments to them, but double digit profits are reachable. By the same token, an Investor may subscribe to a Private Wealth Management Fund with the trading operation described as 'Matched Trades' coming in with $100M or more as they have available and fully maximize their return opportunities.

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[1] The gross appreciation is divided into portions/beneficiaries which allocates to each of the parties a net monthly gain.
These parties could be the **Tier 1 Ltd. wealth management fund**, the Trader's Associate (**Investor/Subscriber**) and the **Project Funding Group** (which is exclusively for funding select humanitarian projects as a hedge against global inflation).