

Glossary of Private Placement Platform Key Terms

Meet Decode-guy . . .



In the private placement world, there are a number of unique terms which are important to understand and implement. For “Decode-guy”, learning them took endless questions and research, but after years of persistence, he finally mastered the vocabulary of “Brokerland”.

To help readers avoid the same learning curve, he created something which everyone can appreciate, a “**Private Placement Glossary**”. Providing over 80 of the most important terms in the private placement business, he thinks you will not find anything more comprehensive, or well-detailed.

Below he has listed various acronyms, phrases, and other unique terms which are commonly used in the private placement (*i.e.*, Hedge Funds) arena. It’s 10+ pages and it will prove invaluable on your journey to success!

PRIVATE PLACEMENT PLATFORM ACRONYMS

BCL (Bank Comfort Letter): A letter written by a bank officer on behalf of a customer, attesting to the current balance and good standing of an account holder.

BSA (Bank Secrecy Act)

BG (Bank Guarantee): A bank instrument, guaranteeing a certain face value for an investor, while collecting an annual interest before expiring upon maturity.

CD (Certificate of Deposit): A financial product offered by banks to account holders who agree to leave their funds on deposit for a pre-defined period. This allows investors to collect a higher interest, while securing their money in a low risk venture.

CIS (Client Information Sheet): One of the compliance documents typically required for private placement programs. This document asks for basic information such as the contact details, and line of business the applicant is in.

CMO (Collateralized Mortgage Obligation): A mortgage-backed, investment-grade bond that separates mortgage pools into different maturity classes. By creating a CMO, the bond issuer can collect immediate capital while the purchaser gets the bond at a discount from face value and collects annual interest. Though these bonds are frequently found in the private placement business, most of them are worthless since the financial crisis hit.

DTC (Depository Trust & Clearing Corporation): **DTCC** provides clearing, settlement and information services for equities, bonds, securities, money market instruments and over-the-counter derivatives. This medium is used in private placement programs to transfer/assign assets to a trader, from an Investor/Client.

EUROCLEAR Post-trade made easy: Euroclear is the pre-eminent provider of post-trade services. For more than 50 years, they have worked in partnership with the biggest names in finance and banking. They help you to be more successful by making it easier for you to settle domestic and cross-border securities transactions and safekeep your investments. They also help you manage the risks and exposures arising from your transactions. User owned, and user governed, they give the highest priority to client interests. Their multi-lingual, highly trained team of professionals based in Europe, Asia, the Middle East and the Americas are committed to providing personalised support. Specialties - Post-trade services, Asset servicing, Collateral Management, Issuer services, Settlement and Fund services

FPA (Fee Protection Agreement): An official document outlining all fees due to intermediaries upon the completion of transaction. This is critical for any private placement broker to understand and utilise.

ITR (Irrevocable Trust Receipt): A receipt confirming and detailing the deposit of specific assets into a trust. Though the ITR contains all details of the asset, banks typically will not assign a value to it since the asset is NOT deposited in a credible bank, but rather a private trust.

JV (Joint Venture): An agreement between two entities outlining compensation, fees, and the obligations of both parties in relation to a specific business venture. This is the most common legal structure for private placement programs.

KYC (Know your Client): In some cases, this form will substitute for the client information sheet. Just like the CIS, it requests contact details and other related information. Also, this phrase is used when referring to the “Know your Client” law, which many investment markets enforce. It states that you must know your client well, and unless deceived, you can incur certain liabilities for future problematic actions of the client.

LOI (Letter of Intent): A letter provided by Applicants interested in a private placement programs, defining their unsolicited interest to enter the investment transaction. This document can also be used for areas outside of private placement, especially where solicitation laws apply.

LTV (Loan to Value): This is the loan value that a bank/lender will provide after evaluating the value of an asset. Usually, this is used for hard/illiquid assets, and is stated in % in relation to the asset’s appraisal value (Loan/Appraisal Value = LTV %).

MIA (Missing in Action): A term that describes what happens to most brokers when they fail to live up to their promises. One day, they are blowing up your phones, the next day they are nowhere to be found.

MTN (Medium Term Note): A tradable and discountable debt instrument issued by banks, collecting an annual interest before expiring upon maturity with a specified face value.

NCND (Non-Circumvention, Non-Disclosure Agreement): An agreement between two parties defining the boundaries and limitations of their relationship. Typically, this agreement is used by private placement brokers to “protect” from future circumvention.

POF (Proof of Funds): The process of allowing another individual to temporarily show your assets as their own, with the fee dependent upon the time it’s utilised. Also, this phrase can refer to a bank statement, or other financial document, proving the assets of a prospective investor/client.

PPM (Private Placement Memorandum, a.k.a., Offering Memorandum): A formal description of an investment opportunity which is created to comply with various federal securities regulations. This outlines all details of the “private placement” offered, as well the obligations of both parties involved.

PPP (Private Placement Program or Private Placement Platform): An extremely private, high-end, placement program (virtually no investment) which trades discounted bank instruments (MTN/BG/SKR) for profit in the secondary market. Exclusive to High Net Worth Clients

RWA (Ready, Willing, and Able): Phrase used by private placement brokers confirming the readiness of an Investor to satisfy requirements and move forward with an opportunity. This statement can also be made in the form of a document, which some programs may require.

SBLC (Stand by Letter of Credit): A document issued as a guarantee of payment by a bank, on behalf of a client. This is used as “payment of last resort” if the client fails to fulfill a contractual commitment with a third party. In the private placement world, this term is often associated with fraudulent companies which offer bank instrument leasing and/or project funding “opportunities”.

SKR (Safe Keeping Receipt): A document created by a bank, on behalf of its customer, which specifies all details of an asset, and confirms its current existence on deposit.

T-BILL (Treasury Bill): A short-term debt obligation in the form of a interest accruing note, backed by the U.S. government with a maturity of less than one year.

T-NOTE (Treasury Note): A marketable U.S. government debt security containing a fixed annual interest, and a maturity between one and 10 years.

T-STRIP (Treasury Strip): This is a “zero coupon” bond issued by the U.S government whose yield is based upon the difference between the discounted price it is purchased at, and its face value at maturity (ex. 10M Note, buy at 85% of face, worth 100% at maturity).

T1L (Tier One Ltd. – No Risk Fund 2.0) TRADE MANAGER for the **Private Placement Platform** outlined here in this article, Glossary.

VOD (Verification of Deposit): This is a certified, signed document provided by a financial institution, verifying the current balance and history of an account holder. This is similar to a BCL, but the verbiage may be different.

PRIVATE PLACEMENT KEY TERMS:

Administrative Hold: A term usually referred to by inexperienced brokers. It refers to the Investor's bank reserving funds in favor of another individual, without actually encumbering or moving the asset.

Asset Backed: Refers to a note or bank instrument which is collateralised by **hard assets**, not liquid assets. This can be gems, gold, art, diamonds, or other rare valuables.

Assignment: Transferring ownership, or rights to use the collateral, to another individual for a specific period of time. Some traders require this for private placement investments.

Bank Instrument: A debt instrument issued by banks to access immediate liquidity, providing an annual interest and face value for the purchaser. BGs and MTNs are common examples.

Bank-to-Bank: A phrase typically used by brokers, referring to the private verification of assets from the client's/investor's bank officer, to the trader's/seller's bank officer.

Beneficiary: The individual listed as the owner of a debt instrument, such as a medium term note (MTN) or bank guarantee (BG).

Best Efforts: This is a term used in any real private placement contract. It states that the trader, or Trade Manager, will use their best efforts to achieve high profits. For example, a contract may say "profits will be achieved on a best efforts basis".

Blocked Funds: A general phrase which refers to blocking liquid assets in favor of another person. This is most commonly achieved by the way of a S.W.I.F.T. MT 760, unless you are in the USA.

Broker Chain: Also known as a "daisy chain", this frequently used term describes the "layers" of brokers that one must go through before they reach a trader. Unfortunately, there are usually several private placement brokers involved in any deal.

Bullet Program (bad): Phrase created by inexperienced brokers that describes "short-term" private placement programs, promising very high returns in less than thirty days.

Cash Backed: Assets which are backed by cash, making them far more appealing for banks and private placement traders.

‘Cash is King’: The highest priority in the queue for the Trader’s best yield. **Cash and/or Hard Assets Equivalents** follow in many ways, *i.e.*, priority and appreciation/gain/growth/profit/return/yield utilising the ***Power of Compounding exponentially!***

Cash Poor: This refers to an individual that is “asset rich, but cash poor”. Though they may have millions in hard assets, they may have little to no liquidity to engage in various transactions.

Circumvention: Cutting out the people who introduced you to the opportunity or broker, with no intent to reward them if you are successful.

Collateral: An asset guaranteeing the line of credit the bank gives, which can be seized upon default from the loan terms. Bank instruments, cash, and MT 760’s are some examples.

Commission: Referral Payment which can be earned by introducing a **Trade Manager** to a prospective client.

Commitment Holder: An individual/institution who is contractually obligated to purchase a bank instrument at an agreed upon value. Without “prior commitment”, the Seller of the bank instrument would never have purchased the note because their intent was trading for profit. This term is also similar to the phrase “Exit Buyer”.

Compliance: The process of completing due diligence on a new private placement client. At this time, the client must complete the required **KYC documentation**, usually referred to as the “**compliance package**”.

Corporate Resolution: A compliance document which asks the client to formally state their relationship to the business entity they represent. Also, must accompany the **Client’s Proof of Funds from his home bank!**

Cutting House: Term referring to a bank which creates, issues, and backs discounted bank instruments. The instruments are “cut”, and sold to traders at discounts, who then sell them at a higher price to “exit buyers”.

Discount: The idea that bank instruments can be purchased at a discount from face value, leaving the opportunity to profit from resale, or the difference between face.

Due Diligence: Phrase referring to the KYC process of qualifying people by verifying and investigating their background. This is used mutually by formation services, private placement traders and banks.

Escrow: An escrow service is a licensed and regulated company that collects, holds, and sends money, according to conditions specified by both the customer and service provider. Once the conditions of the customer are met, funds are immediately released to the service provider. Typically, in the private placement business, escrow is used to pay upfront fees for “sketchy” services such as leased bank instruments, funding opportunities, and others.

Euroclear: The world’s largest settlement system for securities transactions, covering bonds and equities, as well as bank instruments. This important and efficient medium allows transactions to be completed remotely, while ensuring safety for both the buyer and seller of the asset/instrument.

Exit Buyer: A term used very frequently, referring to the “Buyer-In-Place” purchasing the bank instrument at a higher value from the current owner.

Fishing: (*Phishing*) When a “prospect” contacts a private placement broker or Trade Manager with little to no intent to move forward, but plenty of detailed questions in an effort to “fish” for information.

Free and Clear: Also known as “unencumbered”, it means there are no liens or current debt obligations associated with that particular asset.

Fresh Cut: Phrase referring to a recently issued bank instrument that has had only one owner over the course of its existence. Usually, they are accessed at a steep discount from face.

Funding: A shorter way to reference “project funding”, usually referred to by those with insufficient capital to fund their project through private placement programs (*a great hedge against global inflation*).

Gate-Keeper: An individual who claims to be the “direct” connection to a [Trade Manager](#) with a private placement fund (hedge fund).

Guarantee: This is a word that should NEVER be used in any investment niche, especially one as volatile as the private placement market, though it may not seem like a key term, it is for one VERY big reason. Any broker or trader that “guarantees” certain profit amounts is breaking the law, and will NEVER fulfill their claims.

Hypothecate: The process of assigning a monetary value to an illiquid asset, and then extracting liquidity in the form of a loan, using the illiquid asset as collateral.

In-Ground Assets: Land areas which have been appraised based upon geological assessments of the assets which lie beneath. Many in the private placement business try to enter programs with land containing precious metals, energy materials, and more. Unfortunately, most have no luck due to the current worldwide liquidity crisis, and the high excavation costs to isolate the asset.

Intermediary: Anyone involved in a private placement transaction, acting as a buffer, either through introduction or compensation, who is NOT the Trade Manager, Trader or client.

Joker Broker: Term used to describe inexperienced private placement brokers who do nothing but waste your time.

Junk Bond: A bond issued by a company or institution which has poor financial integrity, making the bond effectively worthless. Some examples which private placement brokers may encounter are: Venezuelan bonds, Brazilian bonds, gold bearer bonds, certain corporate bonds, and many others.

Ledger-to-Ledger: This phrase refers to a transfer between two accounts held by the same bank. For example, a trader may have an HSBC account, and send the profits to a client with a different HSBC account. This is far more efficient, and avoids possible problems associated with external transfers.

Letter of Authorisation: A compliance document required for all private placement investors, allowing the trade group to verify the investor's assets bank to bank. This is also known as the "Authorization to Verify".

Line of Credit: [LOC] Though it may sound fancy, it's just a bank loan. Usually in the private placement world, this refers to the loan given to the trader at the Trader's bank just before trading starts.

Managed Buy/Sell: Another synonym for private placement platforms. It refers to the managed buying and selling of bank instruments by a private placement trader.

Mandate: Another term meaning someone is "direct" to an investment opportunity or client.

MT 103: This is an improved version of the original SWIFT MT 100, which is similar to a wire transfer. Though it is a direct transfer, the MT 103 has a large number of options which describe conditions and instructions for how the payment should be made.

MT 760: This SWIFT message is used to block funds in favor of someone other than the investor, collateralizing the asset while allowing for loans against it.

MT 799: This SWIFT message is used between banks to communicate in written form, and is usually referred to as "pre-advice". Typically, the MT 799 will be needed directly before the MT 760 is issued.

Non-Depletion Account: A term used in Private Placement contracts which guarantees that the funds of the client will never be depleted by the trader. ([The Money Is Never Spent](#))

Non-Solicitation: A compliance document that protects the consultants by having the investor state they were not solicited.

Paper: A synonym used by private placement brokers referring to bank instruments such as bank guarantees or medium term notes (MTNs).

Paymaster: An individual elected by intermediaries who will accept all commission payments on a private placement transaction, and then distribute them in accordance to the agreement between and/or among all of the parties. This can be an attorney, a bank, or anyone else with which the contracted parties feel comfortable. [Trade Manager](#).

Piggyback Program: A newly created phrase referring to the concept of "pooling" investors to meet the minimum capital requirements of a private placement program. For example, 10 investors with 10M would try to meet the 100M minimum which most private placement traders require. Be VERY careful when pursuing this type of "program", since most do not perform as promised.

Ping or Screenable: This term refers to a type of private placement platform which allows Clients to leave funds in their account ORIGIN, while the trading bank verifies the full balance is still present on a daily or weekly basis. Customarily, traders can access a loan against this "ping"/verification of funds and start trading on the client's behalf looking at his **POF!**

Platform: Another synonym for private placement platforms which refers to the corporate structure of the **trade group**.

Power of Attorney: A document signed by the account holder which gives authority for someone to act on their behalf, as specified in the agreement.

Program Manager: An individual who claims to be “direct” to a trader with a private placement program, accepting all applications and questions from prospective clients.

Promissory Note: Basically, it’s an IOU given from one party to another, stating debt repayment obligations and terms. In all reality, it is really worth nothing to third parties.

Riskless Principal: *see write-up definition at the end of this list on the last two pages.

Seasoned: Common term that refers to bank instruments, such as medium term notes (MTN’s) and bank guarantees (BG’s), which have been owned by several different beneficiaries over their existence.

Shopping: When a representative/broker sends out an client’s compliance package to several “program managers” at the same time. This is greatly frowned upon, and can ruin relationships with real traders.

Signatory: An individual who legally represents the assets/services of another person, entity or themselves, by executing all contractual agreements and related obligations.

Slightly Seasoned: A bank instrument which has been traded, having more than one owner over its lifespan before maturity. This is usually a bank instrument which is discounted moderately, sold at a value of 70-85% of face value.

SWIFT: A system of communication between banks, allowing account holders to block, transfer, or assign assets as per their request. Examples are the SWIFT MT 100, MT 103, MT 760, and MT 799.

Tabletop: A term which refers to a face to face meeting between a buyer/investor, and a seller/trader.

Trade Program: A synonym of the term “private placement program”, this phrase is frequently substituted by brokers in business.

Trader: A person with a direct relationship to a bank that is issuing discounted bank instruments, which will later be sold to a pre-defined “exit buyer” at a higher value.

Trading Bank or Trader’s Desk: This is the bank where the trader receives the collateral, or assignment thereof, from the **Client**. Also, this bank provides the line of credit to the trader.

Unencumbered: This means the referenced asset has no liens or debt obligations (unpledged) to any third party.

Although our Decode-guy has done his best to include most of the key terms which have been associated with Private Placement Programs, he will apologise if he missed anything you feel is important.

We hope that you appreciate the effort we have put into this paper. Obviously, we encourage readers to understand and apply the terms we have mentioned, but you must ALWAYS remember this, . . .

“You can learn all of the lingo you want, but acronyms don’t close deals; knowledge and expertise does.”

Definition of *Riskless Principal

A trade in a security that involves two orders, with the execution of one of these orders dependent upon the receipt or execution of the other. **Riskless principal** is defined by the Financial Industry Regulatory Authority (FINRA) as a trade in which a member who has received a customer order immediately executes an identical order in the marketplace, while taking on the role of principal, in order to fill the customer(s) order.

A buy order from a customer would therefore require the member firm to execute an identical buy order in the market as principal, while a sell order would require the member firm to execute an identical sell order in the market. In order to qualify for **riskless principal** trades, FINRA stipulates that the trades should be **executed at the same time**, exclusive of a markup/markdown, commission or other fees.

For example; a broker-dealer who is a FINRA member and receives a customer order to buy 1,000,000 shares of Widget Co. at the prevailing market price of \$100, would immediately buy the 1,000,000 shares from another member at \$97. The Exit Buyer made the commitment of \$100 prior to the purchase at \$97. The spread/profit/return to the **Client** would be a net \$3 and the **Client’s money was never spent!** Still, the **Client’s** \$100 must be **‘screened/pinged’** for each transaction to see if his \$100 cash (LOC) continues to be available and unencumbered. Since both trades were executed/matched at the same time (**Matched Trades**), this would qualify as a riskless principal transaction.

It is thus, a **‘MATCHED TRADE’** and it is therefore **‘RISKLESS’** (see **SEC statement next*):

SEC statement:

**‘On March 24, 1999, the SEC approved amendments to FINRA, then the National Association of Security Dealers (NASD) rules regarding the reporting of riskless principal transactions by market makers in Nasdaq and OTC securities.*

The rule change, which was effective Sept. 30, 1999, permitted market makers to only report one leg of a riskless principal transaction, rather than both legs, as was the requirement previously.’

One of the significant benefits of this rule change was a reduction in transaction fees levied by the Security Exchange Commission [SEC]. *Therefore;* while market makers are always deemed to be "at risk" when trading from their principal accounts, the amendment was an acknowledgment of the fact that trades undertaken to offset customer orders are **riskless**. *Hence,* a complete 180° from the conventional approach of small thinking in regard to the position(s) of the Client and his liability *or* chance of losing his principal investment.

The term "**Riskless Principal**" is just as it sounds. Traders use their own vocabulary to baffle us. We trust this attempt to **decode** their glossary was helpful and the learning curve should be a lot shorter now.

Actually, you will not have to be an expert because the **Tier 1 Ltd., "Trade Manager"** has setup his offshore **No Risk Fund 2.0**, *i.e., a hedge fund*. He has interviewed, recruited, and contracted the "team of high-net worth experts" which handle of all the details for us. He also has set up a rated, European Trader's Bank to count the "compounded growth" of the monthly net asset value. Disbursements, via the **PAYMASTER** for **Pay Days of Profit/Returns**, are available via EFTs by means of pre-negotiated contracts via monthly '**Pay Orders**' lodged for each respective party's portions at the end of every month during the term of ten-months (*forty weeks*). Since this has the potential to go '*through the roof*', we must have expert number crunchers.

To open the door to this opportunity, first, let's check with a **Client Applicant** with the question, "**What percent profit do you expect on your money?**" Follow with, "**What was the highest percent annual profit gain you've experienced so far?**" The numbers are all over the place, but not to worry.

When this **Client** comes back with his 'xx%' answer, the **Trade Manager, Tier 1 Ltd.** will then email very important (proprietary) scanned attachments to the **prospective Applicant/Client** which are the actual **INTRODUCTORY OVERVIEW** for their close review and consideration. Here, they will find the detailed requisites which are clearly summarised in this educational three page article . . . or . . . if requested an extensive (34 pages) PDF "white paper" entitled; "**MTNs What are they?**"

NOTE: **Trade Manager, Tier 1 Ltd. will not solicit funds or investments from anyone!**

Upon the **Client's** request/response, **Trade Manager** will respond by eMail with the **FIRST STEP**** documents which consist of - -

- A. ****** a two page AAA Order Form and ****** a four page Q Card Application.
- B. Client may request forms, A. by inquiry to the eMail shown at the bottom of this page (#11)
- C. When forms are completed as directed and submitted, this will initiate the extensive, mandatory KYC compliance package/processing/account setup/contracts.

Again, these processes can move forward only when both of these documents are carefully and accurately completed (*ALL asterisks on the **Q Card** must be completed) by the **Principal Client**, *i.e.*, acting as the authorised sole signatory where indicated. However, in the instance the **Client** already has a current (not stale dated) KYC/compliance package, the extensive process time will be easier to expedite for the **Client's** launch date (*1st of the next month in a ten month contract with Double Digit profit portions*).

In reference to the **level of entry**, note the two options:

Option 1: The minimum **CASH** entry level placement is ONE HUNDRED million USD or EUROS, which yields maximum return opportunities. All previous Funds of lesser amounts are fully subscribed.

Option 2: We will also consider and review, on a *case by case basis*, sophisticated Applicants holding **Hard Asset Equivalents**, with current, verifiable, certified and unencumbered assays/appraisals and/or instruments, *i.e.*, BGs, SKRs, etc. (sorry, not in-the-ground raw materials). Perhaps the subsequent discounted VALUE may be equal to or greater than a POF at the minimum one hundred (\$100,000,000) million USD *or* EUROS.

These options are not a solicitation for money or investment and T1L is certainly not soliciting or seeking investors.

As you can see, this placement opportunity is not meant for just anyone, but, purposefully unavailable to the general 'public'. This is the reason this type of platform is not seen or offered in the Public arena.

Only, High Net Worth Applicants will be considered and/or welcomed. It's an exclusive Private Club.

Perhaps at this level, **Clients** are looking for information as to *'What Private M.T.N.s Really Are . . .'*
Available by eMail request from Info@NRF2Breakthrough.com

Congratulations . . . you read this far, very few can wrap their heads around this material. You made it!

Educational Only