Summary

A combination of circumstances including but not limited to Dodd-Frank regulations pertaining to Forex, major fraud in Forex banks, and a lack of new players in the marketplace has created a unique opportunity for a Forex bank never seen before to dominate the US market for Forex. Ask any Forex trader or someone who deals in Forex regularly, there are no decent US based Forex institutions. Only a lone bank in Florida no one heard of, Everbank, processes Forex deliverable payments and offers non-USD accounts in the United States. In the retail space, 2 major players, Gain Capital and FXCM dominate the market, and both have been regularly fined and charged with unethical practices, and worse. FXCM is on the brink of collapse.

Why no 'honest' competition has captured this exponentially increasing market in the US is a complicated one, but simply – 1) existing institutions decided to go offshore, 2) few really understand the Forex market and 3) it takes a substantial amount of capital and resources to establish a bank in the US, compared to other jurisdictions where Forex institutions have chosen to register. Although theoretically it doesn't matter what jurisdiction a Forex bank exists in, the biggest opportunity is here in the US where there is the biggest Forex void.
Just by capturing 1% of the US Based Forex volume this institution would be extremely profitable; not a difficult feat considering the continued negative reputation the major FX banks have. Just google "Forex Settlements" or "WM Reuters" or "Libor Fixing" to see some examples. The public as well as Wall St. maybe don't understand Forex so well, but their opinion is more and more negative constantly hearing about another Forex fraud coming across the wire. It is for this reason it will not be difficult to capture some of their FX volume.

We propose to establish a FX bank, which has only one single function: Foreign Exchange. Wall St. banks engage in hundreds of banking activities including lending, derivatives, securities underwriting, proprietary trading; a nearly limitless list. They are constantly inventing new ways to operate. If you can imagine stripping out their FX operations, which are always extremely profitable by themselves (even including these huge fines and legal settlements) – then you can imagine what is a Forex bank. One bank exists in the world similar to what we propose; Saxo Bank. But our operation would be more technical (such as catering to HFT), focused on Forex (Saxo offers equities and futures) and based in the US (Saxo has nothing to do with the US).

Such an FX Bank could also operate as an FX division of a larger bank, and not put the bank at any risk (FX activities would be risk-free). What is necessary to capture the opportunity currently in the US is a bank license, and the ability to trade Forex

on the interbank market with other banks. We will not work with the public directly, our clients will be other banks, retail Forex brokers (not the clients themselves), Pension Funds and other funds that utilize Forex in large quantities, large corporates who utilize Forex such as McDonalds (MCD, who derive more than 60% of their income outside of the USD).

So for the structure of such an FX bank, it is flexible – it could be a 'regional bank' or a bank created for other business purposes (see example below about 'Radius Bank').

In the short term future, Forex will become increasingly important in the United States to all in finance because of a number of macro-economic circumstances such as the deterioration of the value of the USD, the Fed's reckless Quantitative Easing (QE) program, and the growing pressure from USD competitors such as China, Russia, Singapore, and others.

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FX Bank Profitability Study

A Forex bank based in the US will quickly have several lucrative profit streams:

- 1. Providing Forex liquidity to several distinct demographics of traders:
    - Average retail customers (trade 1-2 trades a day that last for days – weeks)
    - Hedge Funds and professional investment funds (trade sizes unusually large and sometimes include HFT)
    - Forex day traders (typically active traders – 20 – 1,000 trades per day)
    - HFT & Algorithmic Forex traders (possibly large volumes and 1000+ trades per day)
    - **Other banks and central banks**

Each of these demographics has a different profitability for our bank. In the case of the HFT/Algo traders, we will need to offer them better trading conditions such as a lowered spread / commission, invest in technology etc. but they will trade high volume so overall will make out better than other types of traders. Retail and average traders simply do not trade enough to be profitable, hence the need of FXCM and others for a large amount of retail clients and to operate a dealing desk. Generally speaking we can earn $50 - $100 per million (or 50k – 100k per yard or billion traded) on average which means if our volume for this trading business is 10 billion per week we would be earning 1 million in profit per week. These numbers may seem large but for Forex a billion in volume is not much, Forex total volume estimated at $5 Trillion per day (and probably more that is only a survey) – in 2009 Elite E Services, Inc. (EES) as a money manager traded nearly 1 billion in volume (about 930 million to be exact) in 1 month manually (without the use of algos) with only $5 million in our account.

By having a bank license in the US we will be supported (in a Forex sense) by the Fed, and will immediately engage in FX USD Swap support (Currency Swap Lines). This will enable us to engage foreign banks and small central banks who simply are not in a position to setup an operation such as ours. Countries such as Georgia, Costa Rica, Cuba, etc. have Forex needs but do not have the capital or knowledge to setup Forex operations for their payments and hedging needs. With a bank license we can offer them a plug and play solution.

- 2. Providing Forex payments & deliverable service such as Everbank. This is a no-risk extremely profitable business for a Forex bank, as companies like McDonalds (MCD) derive more than 60% of their income in Non-USD. There are several middle man providers such as Commonwealth Foreign Exchange, and Everbank is a bank that offers this service, but there are few service providers for this huge market. The majority of Forex clients make payments through banks such as Bank of America which can charge up to 8% per transaction! If we charge only .5% per transaction, we would be making **$5 Million USD per $1 Billion USD exchanged**.

- 3. Providing Forex derivatives such as Vanilla FX Options which currently ARE NOT AVAILABLE IN THE UNITED STATES! To be clear about this – there are no spot Forex derivatives currently available in the US. Since US Citizens are prohibited from opening accounts at Saxo Bank and others that offer these options and other derivatives, we would be truly the ONLY GAME IN TOWN when a client wants to hedge their exposure in Euros with SPOT transactions and not Futures transactions. Currently most hedging is done on exchange using Forex Futures, but Futures are NOT Forex. The derivatives offered via futures are limited, leverage doesn't exist, the pricing mechanism is not precise (such as is with spot Forex) and is less profitable.
- 4. Forex currency swaps – small amount of deals but each deal can be multi-million in profit

Currency swaps were originally conceived in the 1970s to circumvent foreign exchange controls in the United Kingdom. At that time, UK companies had to pay a premium to borrow in US Dollars. To avoid this, UK companies set up back-to-back loan agreements with US companies wishing to borrow Sterling.[7] While such restrictions on currency exchange have since become rare, savings are still available from back-to-back loans due to comparative advantage.

The first formal currency swap, as opposed to the then used parallel loans structure, was transacted by Citicorp International Bank for a $US100,000,000 10 year US Dollar Sterling swap between Mobil Oil Corporation and General Electric Corporation Ltd (UK). The concept of the interest rate swap was developed by the Citicorp International Swap unit but cross-currency interest rate swaps were introduced by the World Bank in 1981 to obtain Swiss francs and German marks by exchanging cash flows with IBM. This deal was brokered by Salomon Brothers with a notional amount of $210 million and a term of over ten years.[8]

During the global financial crisis of 2008, the currency swap transaction structure was used by the United States Federal Reserve System to establish central bank liquidity swaps. In these, the Federal Reserve and the central bank of a developed[9] or stable emerging[10] economy agree to exchange domestic currencies at the current prevailing market exchange rate & agree to reverse the swap at the same exchange rate at a fixed future date. The aim of central bank liquidity swaps is "to provide liquidity in U.S. dollars to overseas markets."[11] While central bank liquidity swaps and currency swaps are structurally the same, currency swaps are commercial transactions driven by comparative advantage, while central bank liquidity swaps are emergency loans of US Dollars to overseas markets, and it is currently unknown whether or not they will be beneficial for the Dollar or the US in the long-term.[12]

The People's Republic of China has multiple year currency swap agreements of the Renminbi with Argentina, Belarus, Brazil, Hong Kong, Iceland, Indonesia, Malaysia, Singapore, South Korea, United Kingdom and Uzbekistanthat perform a similar function to central bank liquidity swaps.[13][14][15][16][17]

South Korea and Indonesia signed a won-rupiah currency swap deal worth US$10 billion in October, 2013. The two nations can exchange up to 10.7 trillion won or 115 trillion rupiah for three years. The three-year currency swap could be renewed if both sides agree at the time of expiration. It is anticipated to promote bilateral trade and strengthen financial cooperation for the economic development of the two countries. The arrangement also ensures the settlement of trade in local currency between the two countries even in times of financial stress to support regional financial stability. As of 2013, South Korea imported goods worth $13.2 billion from Indonesia, while its exports reached $11.6 billion.

Goldman Sachs will not disclose how much exactly it made on its most recent Forex swap but said it was 'extremely profitable' and likely to the tune of several hundred million (possibly several billion) on 1 transaction! See article from Bloomberg:

'Extremely Profitable'

The Goldman Sachs transaction swapped debt issued by Greece in dollars and yen for euros using an historical exchange rate, a mechanism that implied a reduction in debt, Sardelis said. It also used an off-market interest-rate swap to repay the loan. Those swaps allow counterparties to exchange two forms of interest payment, such as fixed or floating rates, referenced to a notional amount of debt.

The trading costs on the swap rose because the deal had a notional value of more than 15 billion euros, more than the amount of the loan itself, said a former Greek official with knowledge of the transaction who asked not to be identified because the pricing was private. The size and complexity of the deal meant that Goldman Sachs charged proportionately higher trading fees than for deals of a more standard size and structure, he said.

"It looks like an extremely profitable transaction for Goldman," said Saul Haydon Rowe, a partner in Devon Capital LLP, a London-based firm that advises global investors on derivatives disputes.[i]

Questions investors will ask

If this is so good, why isn't everyone doing it?

For 2 reasons:

1) They are doing it! Wall St. banks have hugely profitable Forex divisions. In many cases, Forex profits have balanced out huge losses from bad loans such as subprime debt. Banks have been making an absolute fortune in Forex, which is the reason they are so unwilling to create a structured, regulated international Forex market.

2) There are few people in the world who really understand the Forex market. It's not taught at Wharton and so it's not something anyone can do. Our competition is limited to those who 'know' Forex, which are few. Typically bankers and Forex dealers have been paid so well they have no incentive to go out on their own and compete. Even in the case of these recent Forex cases, instead of firing the Forex dealers, banks paid them handsomely to go on 'permanent vacation'.

Why is this better than traditional banking / financial services?
Banks can create money out of nothing; but where to loan or invest it? They can only buy so many securities, and keep so much money on deposit at the fed (gaining 50bp risk free). Banks are always desperate to find new instruments and ways to loan and invest money, and have spent billions developing risk algorithms to manage this risk. But whether it be real estate, or trading securities, or short term commercial paper; there are always risks because of external factors (market forces, regulation, etc.). With Forex, these risks are near zero (or at least to say completely manageable, because there are no unknowns).
Take the example of providing Forex liquidity. It is the equivalent of a broker dealer or FCM providing client access to the market and charging a commission – a **risk less activity.** The same can be said for Forex payments and other aspects of the Forex business.

The Forex bank itself should not engage in any type of proprietary trading. Very simply, this can be done with a separate entity (and would use the bank for liquidity and be the banks customer). If the Forex bank sticks to a simple rule not to engage in risk based activity such as trading, there is virtually no risk in this business!

Location

The bank can be located anywhere, ideally in 3 locations; US, non-US (Europe) and Asia. A venue such as Bahamas which is close to the US would also be suitable. In the EU The US is ideal, part of the EU. In Asia, Singapore or New Zealand is ideal.

Profit Snapshot

The following snapshot is the profit from an FX Broker (a B2B Introducing Broker to another broker) showing their monthly profit from a few hundred clients (it was 241k) – 40,000 transactions.

38884	sell	usdjpy	0.50	1.9835	2007.04.13 17:41	1.9845	0.00			
38885	sell	usdjpy	0.20	1.9836	2007.04.13 17:41	1.9846	0.00			
38886	sell	gbpusd	0.10	1.9815	2007.04.13 15:53	1.9825	0.00			
38887	sell	gbpusd	0.10	1.9816	2007.04.13 15:53	1.9826	0.00			
38888	sell	gbpusd	1.00	1.9817	2007.04.13 15:53	1.9827	0.00			
38889	buy	gbpusd	0.30	1.9818	2007.04.13 15:53	1.9828	0.00			
38890	sell	usdchf	0.10	1.9819	2007.04.13 16:53	1.9829	0.00			
38891	sell	gbpjpy	0.10	1.9820	2007.04.13 16:53	1.9830	0.00			
38892	sell	gbpusd	0.10	1.9821	2007.04.13 16:53	1.9831	0.00			
38893	buy	gbpusd	0.20	1.9822	2007.04.13 16:54	1.9832	0.00			
38894	buy	gbpjpy	0.20	1.9823	2007.04.13 16:56	1.9833	0.00			
38895	sell	gbpusd	0.20	1.9824	2007.04.13 16:56	1.9834	0.00			
38896	buy	gbpusd	0.20	1.9825	2007.04.13 16:56	1.9835	0.00			
38897	buy	gbpusd	0.20	1.9826	2007.04.13 16:56	1.9836	0.00			
38898	buy	gbpusd	0.20	1.9827	2007.04.13 16:56	1.9837	0.00			
38899	sell	gbpusd	0.20	1.9828	2007.04.13 17:37	1.9838	0.00			
38900	sell	eurusd	0.20	1.9829	2007.04.13 17:37	1.9839	0.00			
38901	sell	gbpusd	0.50	1.9801	2007.04.13 15:21	1.9811	0.00			
38902	sell	gbpusd	0.20	1.9802	2007.04.13 15:21	1.9812	0.00			
38903	sell	eurusd	0.50	1.9803	2007.04.13 15:22	1.9813	0.00			
38904	sell	eurusd	0.50	1.9804	2007.04.13 15:22	1.9814	0.00			
38905	sell	eurusd	0.50	1.9805	2007.04.13 15:38	1.9815	0.00			
38906	sell	eurusd	1.00	1.9806	2007.04.13 15:38	1.9816	0.00			
38907	sell	eurusd	0.20	1.9807	2007.04.13 15:38	1.9817	0.00			
38908	sell	eurusd	0.10	1.9808	2007.04.13 15:38	1.9818	0.00			
38909	sell	usdjpy	0.10	1.9809	2007.04.13 15:38	1.9819	0.00			
38910	sell	eurusd	0.10	1.9810	2007.04.13 15:39	1.9820	0.00			
38911	buy	eurusd	0.10	1.9811	2007.04.13 15:39	1.9821	0.00			
38912	sell	usdjpy	0.10	1.9812	2007.04.13 15:42	1.9822	0.00			
38913	buy	eurusd	1.00	1.9813	2007.04.13 15:51	1.9823	0.00			
38914	sell	eurusd	1.00	1.9814	2007.04.13 15:51	1.9824	0.00			
38915	sell	usdjpy	2.00	1.9830	2007.04.13 17:38	1.9840	0.00			
38916	sell	usdjpy	4.00	1.9925	2007.04.16 09:28	1.9935	0.00			
38917			556.00							
38918			12,052.18						TOTAL	241,043.60
38919										
38920										
38921			12434.72				-53 192.84			
38922										
38923										
38924										

Business Plan Synopsis – FX Bank

The FX Bank will be a Forex investment bank based in The US. A private investment bank, it will only have customers who are qualified QEPs.

The bank will create its' own Forex liquidity engine which can be used by other Forex trading banks and brokers. Based on genetic algorithms, this engine will be a liquidity creator and market stabilizer. It will be based on mainframe technology (vs. the current common client/server model). Clients who want to trade with the engine will logon to the mainframe using a 'viewer' thus eliminating 100% of client based IT issues and trading related issues such as latency.

While the engine is being built, the bank can still offer Forex liquidity to the global market. Forex is a $4-5 Trillion volume traded per day market, so only capturing a small percent of that will be extremely profitable. There is a growing demand for many niche products inside the Forex liquidity market, such as emerging market spot trading, Forex derivatives, and Forex automated strategies. In 2009 retail Forex volume alone was $105 Billion a day[i], and growing. Emerging markets The bank will focus its Forex liquidity development on emerging markets which have more opportunity, are less offered by Forex brokers and banks, and also with higher spreads, there's more profit. Also emerging markets typically are in high real money demand, so the development of emerging market liquidity and derivatives has much opportunity.

Forex derivative products for brokers

Forex brokers have the simple model of taking Forex pairs from banks, obtaining bank pricing and offering it to clients with a small markup. They have the existing infrastructure to quickly implement new Forex products, such as Forex baskets. Traders might like to buy or sell the USD but not against a particular currency. By allowing traders to have a one click 'buy' of the USD that would sell it against many other pairs, which could be calculated, we would be able to easily offer this product to brokers, and charge a few extra pips for it.

The demand

Since the modern Forex markets have evolved (since the Nixon shock) demand for Forex liquidity has been growing exponentially. Well run retail Forex brokerages have increased their annual revenue by 1000% and more. Hundreds of new participants have done the same. But the retail Forex explosion was a drop in the bucket compared to the flood that's coming. We haven't seen a lot of successful Forex trading systems. Aside from a few old guard players such as FX Concepts, whose returns are about 8% a year, few Forex managers consistently earn profits. As we see them become more profitable, money will flow into Forex as an asset class, especially as other markets' returns such as stocks dwindle. Demand for Forex liquidity will only continue to grow.

As far as why existing banks aren't offering these niche and other services, they are simply exploiting their existing monopoly. On a retail basis, a US bank charges 8% of the transaction on Forex payments. Another credit card company charges 2.7%, which is significantly less, but still 270 pips, whereas in interbank trading a level of as few as 1 or 2 pips is usually the spread.

Financials

The bank investment capital target is $5 Million USD for operations, plus whatever is required for the capital requirement (about $25 - $50 Million). The below 3 year financial analysis shows only 2 revenue models, as others will be more variable. In the first year, doing 30 Billion in volume, and charging only ½ of a pip (50% less than standard rate) would generate 1.5 Million in revenue from that activity. Regarding how much profit a Forex bank can make, just take a look at the profitability of existing FX operations of Citibank, Morgan Stanley, UBS, and others (but just their FX operations).

Year 1					
Forex Volume (Yards)		30			
Pip rebate		0.5	Forex volume profit	$	1,500,000.00
Currency Debt Swaps		1	Other profit	$	500,000.00
Deal size	$	10,000,000.00	Profit from swaps	$	3,500,000.00
Profit margin		35%	Total	$	5,500,000.00

Year 2					
Forex Volume (Yards)		250			
Pip rebate		0.4	Forex volume profit	$	10,000,000.00
Currency Debt Swaps		2	Other profit	$	500,000.00
Deal size	$	10,000,000.00	Profit from swaps	$	7,000,000.00
Profit margin		35%	Total	$	17,500,000.00

Year 3					
Forex Volume (Yards)		800			
Pip rebate		0.3	Forex volume profit	$	24,000,000.00
Currency Debt Swaps		2	Other profit	$	500,000.00
Deal size	$	25,000,000.00	Profit from swaps	$	12,500,000.00
Profit margin		25%	Total	$	37,000,000.00

Technical

For account opening, documentation, and other management functions we will use the Microsoft Office Professional suite and Adobe Document solutions. Actual Forex trading will all take place on the mainframe, IBM System Z[ii].

Regulatory comments

This bank will be a Forex only operation. It will be private, and have no customers. The bank will not give loans, offer savings or other deposit accounts. We need the bank charter in order to trade with other banks. Actually, the only real Forex participants are banks. These banks have many other services they offer other than Forex. Also, the FX Bank will act in an agent capacity, not principal, to transactions. That means at no time will the FX Bank be involved in Risk.

Management

We should have a bank manager with extensive experience in US banking, ideally in Forex but not necessarily, to act as the bank President/CEO.

All technical aspects can be managed by the EES team regarding Forex. Programmers and technical developers to develop the liquidity engine can be managed and leased from Vector Informatics, Inc. Delaware.

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i http://forexmagnates.com/top-forex-brokers-report-over-105b-in-daily-traded-volume/
ii http://www-03.ibm.com/systems/z/news/announcement/20120828_announce.html

Why any Financial company should be a bank:

And why any company at all – should have its own bank

For investors

- Security of funds (keep funds in your own bank)
- Do not pay fees to 3rd party institutions (pay yourself fees or waive fees)
- Create products as you want (not as the bank decide)
- Move your entire portfolio to an account inside your own bank – that you own!

Tactical reasons for Forex

- Establish Forex SWAP lines with the Federal Reserve (unless you are a bank, the Fed will not give you 10 billion USD. If you are a bank, 10 billion is a small sum.)
- NO COUNTERPARTY RISK!! By use of bank guarantees, bank funds are not held with any counterparty. If the counterparty defaults, MAC clause kicks in[ii] - this is only possible with a bank.
- No deposit requirements for counterparties!
- Create your own Forex derivatives such as Options, Forwards, and synthetic currencies which you cannot do unless you are a bank
- Create liquidity – a bank is a liquidity MAKER not a liquidity TAKER
- Trade with other banks on the interbank market – not through a middleman
- Process international Forex payments (Forex deliverables) using SWIFT, a risk free extremely profitable business
- The ability to connect directly with Central Banks to establish SWAP relationships, such as to obtain YUAN from the PBOC. Only a bank can do this.

Background and notes

The majority of the world's largest banks were founded by merchants and industrialists AFTER they acquired their wealth using other banks (exceptions being those who were always in banking such as Rothschilds, JP Morgan, and old Swiss families). Many of these industrialists discovered there is more profit in banking than in their core business.

Understanding how the modern banking system works is a little antithetical to how business works (or how we are taught to think how business works).

- In business, the idea is to have as much profit as possible.
- In banking, the idea is to ensure the majority of businesses are not profitable, thus relying on your bank.

Ergo, banks have an inherent conflict of interest which is cannibalistic. Many economists and academics are aware of this, and there are hundreds of studies done on this topic that are conclusive. However, because the banks have such a HUGE commercial interest to keep the system as it is, they invest billions to convince the population of the opposite. Banks have an interest to keep the population uneducated (especially when it comes to mathematics, finance, and critical thinking).

To put it differently, banks have the ability to create money. So 'making money' is not part of the banking philosophy, as it is in business. The fact that banks report 'profit' on their balance sheets is a bad joke played on those who do not understand banking. Banks can at anytime create risk free profits ad infinitum.

Example:
After the crisis of 08 the Fed loaned 'emergency' funds to banks at discounted rates (as low as .25% and 0%) – and what did the banks do with this money? Kept it at the fed in a 'savings' account earning .5% interest! Effectively, the Fed didn't create the trillions it reported in QE, only the amount the banks earned on this risk free arbitrage. But that isn't a fact the banks or politicians want widely reported.

Myths that banks promulgate to the population to keep their business steady and the status quo in power:

- Savings will create value (REALITY: Your savings will never beat inflation)
- Loans are financed through savings (REALITY: Loans are the only mechanism for the creation of new money. Loans and savings are not connected.)
- The FDIC can save the banking system from collapse (there is only a fraction of a percent of deposits, the FDIC couldn't even save 1 large bank).
- The Federal Reserve Bank is somehow connected to the US Government (other than Congress appointing the Fed Chair, and that Congress gets money from the Fed, there is no other relationship). It was created by an Act of Congress but the Federal Reserve is a privately owned and controlled bank. This is in CONTRAST to other central banks around the world such as the Russian central bank which are explicitly controlled by the government. Of all the central banks in the world, the majority are public, only a few are private (Most notably, the Bank of England, the Federal Reserve, 2 of the most powerful central banks in the world, are private.)

Banks NEED business but business does NOT need banks.
Another good analogy – how it is strange for a businessman to understand banking:

In the stock market, any company wants their share price to go up to the highest level. In the currency market – there is disagreement, do we want a strong currency or weak currency. Currently the general accepted view is that we want a weak currency to boost exports and manufacturing. So in essence, it is the mandate of the central bank to destroy the value of the currency (and thus boosting the real economy). It is important to understand, that there is a built in conflict of interest in the modern banking system. In other words, banks have an interest to keep their methods 'hidden' – as to appear to be 'normal' businesses when in fact banking is completely artificial. They spend a huge amount of effort, time, and money, making sure that others don't understand banking, and especially international banking and Forex. Forex is extremely political, just as real banking is (banks are about power not money – they can create money out of thin air, but they cannot create gold or politicians.. but they can buy them.) In fact it was a US President Richard Nixon who 'created' the global Forex system as it is now. It is important for anyone to understand this history in detail, the evolution of the modern Forex / international banking system, and its roots in the global political balance. All of this background is necessary to really understand the question "Why a bank". One last example.

In a private bank, assets are safe because they are under the control of the appointed operator of the bank. The government cannot 'seize' your assets (as they do when your accounts are held at US Government friendly / controlled banks such as JP Morgan). It is the difference between keeping your money in a safe deposit box at a bank, or in a private underground storage on your own property.

Unstructured financial lending platforms in niche markets

Small to medium sized businesses act as banks to further their business. Banks refer to this sometimes as 'commercial paper' – as it is a unique lending market. Typically, loans are collateralized by invoices or similar projects. In real estate this is referred to as 'hard money lending' – in fact it is a form of private banking.

Such an example company, Electric Overstock.com provides such financing for those in the electrician business (general contractors for electricians)[iii]. Click here to read their method in detail. In many cases, financing is combined with basic business management; collection of unpaid invoices, accounting, possibly marketing, holding various insurances, and possibly some business development. It is in the interest of the holder of such commercial paper to see the business succeed. Often such companies act as banks but are not banks. They lend their own cash. They see it as virtually risk free, as they hold the trade skill of the party as collateral (in this case, electricians and their business).

The electrician industry is roughly a $159 Billion per year revenue industry[iv]. On the site of Electric Overstock.com it mentions getting funding of up to $4 Million. Even small commercial contractors can manage projects in the tens of millions, providing services for residential developments, government & military, commercial, industrial, and niche projects. Just with this industry alone, there are probably hundreds of contractor companies acting as banks similar to the methods described by Electric Overstock.com.

These companies could be easily organized as banks. They are acting as banks, but without any bank charter. By having a bank charter, these companies would be able to provide their clients with more effective lending tools, payment systems, and other typical banking functions. In fact many banks evolved out of the financial needs of tradesman, hence the development of Trade Union Banks. Even recently, a bank founded by a carpenters union went public and is now a successful bank "Radius Bank.[v]"

> *A community bank started by the local carpenters union is turning to Wall Street for help as it struggles to comply with new regulations put in place since the financial crisis. The Boston institution formerly known as First Trade Union Bank is expected to launch its initial public offering this week, a move aimed at getting the bank's primary owners, the New England and New York carpenters' pension funds, out of the banking business.*

> *The stock offering is expected to raise about $64 million, with more than three-quarters of the proceeds going to the New England Carpenters pension and annuity funds and the Empire State Carpenters Pension Fund. The remainder of the proceeds would be invested in the bank.*
> *The bank has also changed its name to Radius Bank. It will maintain two branches — one in Boston, one in New York — while providing most of its services online.*[vi]

The above case study of Radius Bank is business proof that such a concept is viable by itself. In our case, we would be then able to use the bank for what we want; Forex and the development of Forex/Banking & Trading technologies.

By providing such a niche industry financial market structure (such as a bank license), we are providing an invaluable service for them; in exchange, we will establish a Forex division of the bank, where we can operate our own Forex and trading operations.

Probably the most natural evolution of such a proposed Forex bank would be businesses such as McDonalds (MCD) that actively trade Foreign Exchange (more than 60% of MCD revenue typically comes from non-US Dollar business). But any industry that has a need for banking (not as Wall St. has a need for profit – a real economic need such as electricians) is a natural catalyst to found a bank. Many banks and credit unions have been founded for such purposes by niche industries, just to name a few; American Airlines Credit Union[vii], Navy Federal Credit Union[viii], Northwest Federal Credit Union[ix], and the CIA credit union, referred to on their website under 'employment benefits'[x],

Salary +

Credit Union −

The Credit Union is a full-service financial institution with six branches and a 24-hour PC banking program. Membership entitles employees and their families to excellent service, competitive rates, and a full range of services including:

- ***Free checking***, with no minimum balance, no monthly or per item fees, and interest paid on any balance
- ***ATM access*** to Credit Union, HONOR/Star, and Cirrus Network ATMs
- ***Free online banking with bill payer*** to make transfers, pay bills, view cancelled checks, verify account histories, and more, any time of day or night
- ***Free direct deposit*** of your paycheck and payroll deduction options
- ***Convenience services*** such as check cashing privileges, bank-by phone service, safe deposit boxes, traveler's cheques, US Savings bonds, and more
- ***Competitive rates*** on savings products and loans
- ***Mortgage and Equity Loans***
- ***Free Auto Locating Service***
- ***Deposits are federally insured*** by the National Credit Union Association

Student Loan Repayment Assistance Program (SLRAP) +

Why do so many government agencies, major corporations, and significant organizations have their own banks?

For the simple reasons:

- Security of own funds (keep funds in your own bank)
- Save on banking fees (in the case of loans this can be substantial)
- Privacy & security (no one accessing or snooping into your accounts)

Strategic Approach

If we approach this Electric Overstock.com and all goes as planned, it will be easy to approach other similar companies, and quickly grow the capital base of the bank. Simply, there is no reason why such businesses are NOT structured as banks.

Wall St. banks have proven to be reckless with public deposits. Their risky trading operations planted a seed of doubt about savings deposits. Although there were almost no actual account losses of regular depositors, Main Street has been imbued with fear. Because this meme exists in the public subconscious, and particularly the working class (who has a different view of their savings and the monetary system) – such a business argument should be well received by workers groups such as Electric Overstock.com and others, such as the carpenters that founded Radius Bank.

In other words, trade unions, craftsmen, the general working class public, and "Main Street" – should understand and feel comfortable with our approach to 'keep funds in your own bank' as they have become distrustful of large Wall St. style banks.

In conclusion, this situation can be perfect to establish a noble trustworthy Forex bank, collateralized by the 'real economy.'

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[i] http://www.bloomberg.com/news/articles/2012-03-06/goldman-secret-greece-loan-shows-two-sinners-as-client-unravels
[ii] http://www.allenovery.com/publications/en-gb/Pages/INTERPRETATION-OF-MATERIAL-ADVERSE-CHANGE-CLAUSE-IN-LOAN-AGREEMENT.aspx
[iii] https://www.electricoverstock.com/support.aspx
[iv] http://www.ibisworld.com/industry/default.aspx?indid=189
[v] https://www.radiusbank.com/
[vi] https://www.bostonglobe.com/business/2014/11/03/bank-started-for-carpenters-union-goes-public/jzkX5uvbd6dwVKvwfItUZN/story.html
[vii] https://www.aacreditunion.org/
[viii] https://www.navyfederal.org/
[ix] https://www.nwfcu.org/
[x] https://www.cia.gov/careers/benefits.html