

# Mid-Market Mark for Equity Total Return and Price Return Swaps

As a registered swap dealer, we are required under Commodity Futures Trading Commission (“CFTC”) rules (namely 23.431(a)(3)(i) and 23.431(d)(2)) to disclose to counterparties who face us on any swap a mid-market mark relating to that swap. That requirement is designed to provide our swap counterparties and prospective swap counterparties with a baseline to assess swap valuations for various purposes including comparison with swaps offered by other market participants.

In the context of total return swaps and price return swaps that reference equities (other than futures), we direct our counterparties to treat the base interest rate referenced in the transaction (i.e., the “Floating Rate Option” indicated in documents prepared under the International Swaps and Derivatives Association, Inc. definitions) as the mid-market mark for that swap for purposes of the CFTC rules. That base interest rate is the most informative objective measure by which a counterparty can assess the actual floating amount applicable to the transaction and excludes, as required under the CFTC rules, any amounts for profit, credit reserve, hedging, funding, liquidity, or any other costs or adjustments. Note that these excluded amounts could be factors that influence the total floating amount applicable to a transaction. Our swap counterparties should be mindful of that fact when generally assessing the floating amount applicable to swaps we offer and have entered into and comparing those floating rates with those of swaps that the counterparty may be offered or may have entered into with other market participants.

In the context of total return swaps that reference exchange traded futures, we direct our counterparties to treat the disclosed price of the referenced future as the mid-market mark. When there is no interest rate leg to a swap on a future, the execution price of the referenced future is the most informative objective measure by which a counterparty can assess the total amount charged, which includes our fees and expenses, and compare that total amount charged with the amounts charged for swaps that the counterparty may be offered or may have entered into with other market participants. The disclosed price of the future excludes, as required under the CFTC rules, any amounts for profit, credit reserve, hedging, funding, liquidity, or any other costs or adjustments.

Please note that these mid-market marks would not necessarily be, and would not be expected to be, prices at which either we or you would agree to enter into or terminate any particular total return or price return swap. Also note that these mid-market marks may not be the basis for margin calls and maintenance of collateral, nor may they be the value used to mark total return or price return swaps on our books and records.