

Subject: RE: Southern Financial Rates trades
From: Xavier Avila <[REDACTED]>
Date: Fri, 12 Jan 2018 13:37:19 -0500
To: Todd Stevens <[REDACTED]>
Cc: Daniel-E Kaiser <[REDACTED]>,
Vincenzo Maini <[REDACTED]>,
Martin Zeman <[REDACTED]>,
Alastair Mackinlay <[REDACTED]>

Good point.

With Paul we have both WM and GM Accounts and an ISDA so in theory we can use both channels,

i.e. KCP acting as ICG/ACO team, and KCP acting as Sales in WM accounts going through GPS.

Now, 2 issues

1) If we go the GM route we pay 50% of the money to GM, and if we go the WM route we keep 100% of the MU, not an issue for a 10k deal, but this is something we need to think as we grow our KCP Capital Markets business.

2) Not with every client we have both WM and GM capabilities, so we need our WM set up to get up to speed and effectively teach GPS how to do institutional like business (their understanding of basic CVA/FVA issues is very limited for example and thus their slow pricing). Now we can always re-write the policies to make sure KCP Capital Markets can go directly into GM without GPS (we already discussed with a lot of control functions), but I think we still need to convince a couple of people for this, and not sure it's smart to basically "split in two" WM trading capabilities as for example the CFTC remediation project is only one and splitting it in two, or having to collate 2 set of client lists, will raise some control functions eyebrows.

Therefore the more I experience the system the more I grow into the believe that KCP needs to totally take over from a WM Capital Markets perspective as I already discussed with Dan several times, at least for OTC Derivs, but then some non-KCP eligible clients (WM Americas has 316 OTC clients into

GM systems) might get caught in the system.

It's all very technical, but we need to urgently review with Dan and you and put a plan, as these 316 WM OTC clients effectively go now through a full GM onboarding process (not KYC, that is done in WM) as the WM umbrellas we used to use for WM onboardings are being phased out due to CFTC regulations. So

if we do not want to go through more painful "Susan Moffat" exercises, we simply need to take over.

From: Todd Stevens
Sent: Friday, January 12, 2018 12:14 PM
To: Xavier Avila <[REDACTED]>
Cc: Daniel-E Kaiser <[REDACTED]>; Vincenzo Maini <[REDACTED]>; Martin Zeman <[REDACTED]>
Subject: Re: Southern Financial Rates trades

Why did this need to go through gps desk? No gm documentation?

On Jan 12, 2018, at 5:11 PM, Xavier Avila <[REDACTED]> wrote:

We have traded a USD Rates curve cap with Paul, I have not confirmed this but I think this is the first exotic rates options ever done with a WM Americas account.

Only 5-10k PNL but we are doing first of the kind for WM Americas.

The pitch was great from Martin with help from Ruchir Jolly in ICG HF sales, the execution with the GPS desk in NY was less than optimal as we took 1.5 hours to get a live price, and I had to intervene with GM to get it done, but Nick/Mike were trying to help, just the process and the execution capabilities as we all know need to improve if we are to take care of Institutional like clients.

Important point, we can idea generate, and we can somehow execute even though we need to all improve.

Martin drafting a good email with rationale etc that we can distribute to management both WM and GM.

Thanks

From: Martin Zeman
Sent: Friday, January 12, 2018 12:04 PM
To: Michel Sommer <[REDACTED]>; Xavier Avila <[REDACTED]>
Cc: [REDACTED]; [REDACTED]; [REDACTED]
Subject: Southern Financial Rates trade details for booking [I]

Mike,

Here is the details of the trade for booking purposes from the Wealth Management side:

Counterparty Southern Financial LLC -> Summit ID =
SOUTHFINANMD

Client Buys 5y10y USD Rates Curve Cap

Notional	USD 100mio
Trade Date	12 Jan 2018
Maturity Date	12 Apr 2018
Strike	0.14%
Curve	5y-10y US Swap
Fixing	11am USD ISDA FIX
Premium	USD 37,000 (Client pays \$41,000)

AND

Client Pays Fixed in 2y Swap

Notional	USD 12.8mio
Trade Date	12 Jan 2018
Swap Start Date	16 Jan 2018
Swap End Date	16 Jan 2020
Client Pays counterparty)	2.205% with trading desk (2.2150% with (Semi, 30/360)
Client Recs 360)	3m Libor (Q, Act/-

Please call me if something doesn't sit right.

Martin