

Subject: preferred swap
From: Stewart Oldfield <[REDACTED]>
Date: Wed, 29 Jun 2016 10:19:35 -0400
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Rich,

Have been doing quite a bit of work with the credit and trading teams on this. Given the relatively low liquidity of the underlyings, it will be too inefficient to trade this as a single basket swap and the margin requirement would not be much different from regular margin in a brokerage account. So the best alternative is to build positions directly in your account and use them for regular margin. Doesn't get you to the full leverage you want, but gives you much easier control over how you build into and trade out of the positions. And as you look at the size of the issuances out there, you will need to trade quite a few names to get to a decent notional trade. One basket we screened was 20 names to get to \$20mm notional.

Sorry for the back and forth on this. Trying to get to the right structure before we set down the wrong path on something. Let us know how you would like to proceed.

Thanks

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