Classification: **Confidential**

Jeffrey,

Per our conversation, we received your order to bid on this structure at the indicated terms for $100k premium (~$4.166mm notional). As discussed, we communicated your overnight order to our London desk and we will revert tomorrow on whether the transaction has been executed.

Thank you,
Daniel

Classification: **Confidential**

Jeffrey,

As we look at the world, the enormous dispersion of monetary and fiscal policies is obvious. One transaction we have used in the past to articulate this theme, and it trickling down to equity markets, are calls on dispersion. This is an OTC transaction in which a client pays a premium and receives a payout based on the average realized dispersion across global markets. It is a way to be economically short correlation and long volatility across markets, similarly to outperformance index options. I have plotted the historical 1y average realized dispersion between S&P500, EuroStoxx50, Nikkei, EEM and HSCEI to illustrate.

Historical Average Realized Dispersion

— Current Strike Price of Dec15 Calls on Dispersion
— 1y Average Realized Dispersion (SX5E, HSCEI, NKY, EEM, SPX)

Indicative Transaction Terms:

Client buys:	European Call on Dispersion, quanto USD
Dispersion Basket:	SPX, EEM, SX5E, HSCEI, NKY
Expiry:	18 Dec 2015
Strike:	ATMF (11.2%)
Offer:	2.4%

where

Final Payout = Notional * max(Average Realized Dispersion – Strike,0)
Average Realized Dispersion = Average(absolute value of Individual Dispersion for each Index i)

Individual Dispersion for Index i = Final Performance for Index i – Average Performance
Average Performance = average (Final Performance for each Index i)
Final Performance for Index i = (Final_level(i)/Initial_level(i) -1)

Please let us know when would be a good time to connect.

Regards,
Daniel

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