

NOTICE OF DAILY MARK

IFM will provide you with a “daily mark” for uncleared swaps each day as of the close of business or at such other time as we agree in writing. Daily marks will not reflect the actual market price at which an offer would be made to enter into a Transaction with you, or to novate, unwind, terminate or settle a Transaction. In addition, our margin calls may be based on factors other than the daily mark or the valuation of the swap on our books. IFM uses third party software to prepare its daily marks, based on industry standard valuation techniques. We reserve the right to replace our third-party software at any time. We also reserve the right to alter, replace or vary valuation techniques, methodologies and assumptions from time to time, and if material, we will disclose such changes. IFM relies on its third-party software to supply valuation models. Market data from third-party sources used for pricing inputs. In rare cases, pricing data is sourced from a broker or other vendors more closely associated with trading a specialty product, and manually entered into the firm’s third party software. The pricing algorithms used by our third-party software are based upon industry-standard models to price derivatives, including but not limited to, Black-Scholes, Binomial, and other mathematical pricing models.

As the volatility of an asset is a required input to option models and is not directly observable, certain estimates must be made regarding the volatility parameter, based on observable prices, historical volatility, and others factors. If the option is a term option (i.e., expires on the standard exchange expiry day), then the volatility surface is used without modifications. If the option is an over-the-counter (OTC) option that expires early, the term volatility is used. Volatility surfaces are derived using a variety of methods including, but not limited to:

- Observable Option settlement prices are collected from various exchanges and vendors
- Black-Scholes or Binomial, implied volatility and deltas are backed out from call and put options of varying strikes and maturities
- Deltas and volatilities of the traded options are used to interpolate/extrapolate a standardized delta-based volatility surface

The daily marks provided will not include the compensation we receive in connection with your transactions, and thus will vary from the actual price you receive and the value at which we carry the transaction on our books. The daily mark is intended to be the theoretical fair value of the transaction, not the price we have offered to deal (which includes our compensation). The prices at which we offer to deal are our own prices, and may be more or less than what you would receive from another dealer. In this regard, we do not purport to offer best execution on your behalf. The amount of commission to be charged in connection with a given trade will be agreed to in writing in advance.