



**KINETIX**  
TRADING SOLUTIONS

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Quality. Delivery. Partnership

Block Threshold Solution

April 19, 2012

<http://www.kinetixTT.com>  
email: [sales@kinetixTT.com](mailto:sales@kinetixTT.com)

# Introductions

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- Our Specialization
  - Fixed Income Cash and Derivatives
  - Trade Management
  - Regulatory Reform
  - Allocations & Affirmations STP
  - Middle and Back Office Integration
- Our Solutions
  - Ready to use Kinetix TM® Platform & Components
  - Bespoke Development
  - Specialized Business Consulting
  - Customizable GUI framework
- Kinetix Advantage
  - Hands-on team with Track Record for Delivery
  - Proven Technologies → Faster time to Market → Lower Costs
  - Based out of Princeton, NJ for an “near-shore” model
  - Experience in working with Traders, Salespeople, Operations, and IT

# Core Team

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- **Amit Karande** is the Managing Director at Kinetix and responsible for the business strategy. Prior to founding Kinetix, Amit worked on the sell side starting with Lehman Brothers where he spent 11 years in IT for Fixed Income Trade Management, STP, and Margin & Collateral Management, followed by Citi, where he was responsible for the strategy and delivery of the multi-asset Trade Capture and Processing system.
- **Mike Sherman** is the CTO at Kinetix responsible for the Kinetix Platform and Shared Components. Prior to founding Kinetix, Mike worked on the sell side in various development and architecture roles. At Lehman from 2005 to 2008 and Citi thereafter, Mike developed Trade Ticketing and Blotters for the Credit, Securitized Products, and Rates businesses.
- **Raj Bhatti** is the Product Specialist for Buy Side Trade Management. Through his career, Raj has held various leadership roles including CTO at Acartha Hedge Fund Services, Technology Lead for Securitized Products at Barclays Capital, and Head of Repo and Operations Technology at Cantor Fitzgerald.
- **Ross Cutrupi** is the Product Specialist for Sell side Fixed Income Trade Management. During his career spanning 20+ years at Citi, Ross worked on Risk, Pricing, Connectivity and Trade Management programs for the Governments, Agencies, Mortgage TBA, and Swaps desks. He was also the member of industry Auction Committee responsible for automation of US Treasury auction process
- **George Bollenbacher** heads the Regulatory Reform Practice at Kinetix. During his career spanning 20+ years, George has been a Fixed Income Trader, a strategist for the sales and risk teams, a business analyst across front, middle, and back office, giving him a holistic perspective of trading, clearing, collateral management, and risk management

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ARTICLE

<http://www.reuters.com/article/2011/12/15/idUS128568+15-Dec-2011+PRN20111215>

PRESS RELEASE:  
**Kinetix Signs Up Millennium for Trade Manager Suite**

\* Reuters is not responsible for the content in this press release.

Thu Dec 15, 2011 7:30am EST

PRESS RELEASE:

Kinetix Signs Up Millennium for Trade Manager Suite

PR Newswire

NEW YORK, Dec. 15, 2011

NEW YORK, Dec. 15, 2011 /PRNewswire/ -- Kinetix Trading Solutions Inc., a niche technology provider to capital markets firms, announced today that it has signed an agreement to provide technology solutions and services to Millennium Management LLC, the New York based hedge fund manager. Kinetix will provide Trade Management, Client Clearing, and Workflow components of their Trade Manager Suite to Millennium's Fixed Income and Futures business.

According to Amit Karande, CEO at Kinetix, "Millennium is a global leader and we are excited to be a part of their strategic solutions."

Michael Chew, Head of Fixed Income and Risk Technology at Millennium, adds, "We are excited to have Kinetix as a solution provider and we are looking forward to a long-term partnership."

Kinetix Trading Solutions Inc. ([www.kinetixtr.com](http://www.kinetixtr.com)) provides technology solutions for hedge funds and other institutional investors.

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THEY VIEW WORK AS AN ACTIVITY THAT CAN HAPPEN ANY PLACE. Cognizant

ARTICLE

<http://www.reuters.com/article/2011/04/14/idUS239794+14-Apr-2011+PRN20110414>

PRESS RELEASE:  
**Kinetix Trading Solutions Signs Agreement with CME Group**

\* Reuters is not responsible for the content in this press release.

Thu Apr 14, 2011 5:54pm EDT

PRESS RELEASE:

Kinetix Trading Solutions Signs Agreement with CME Group

PR Newswire

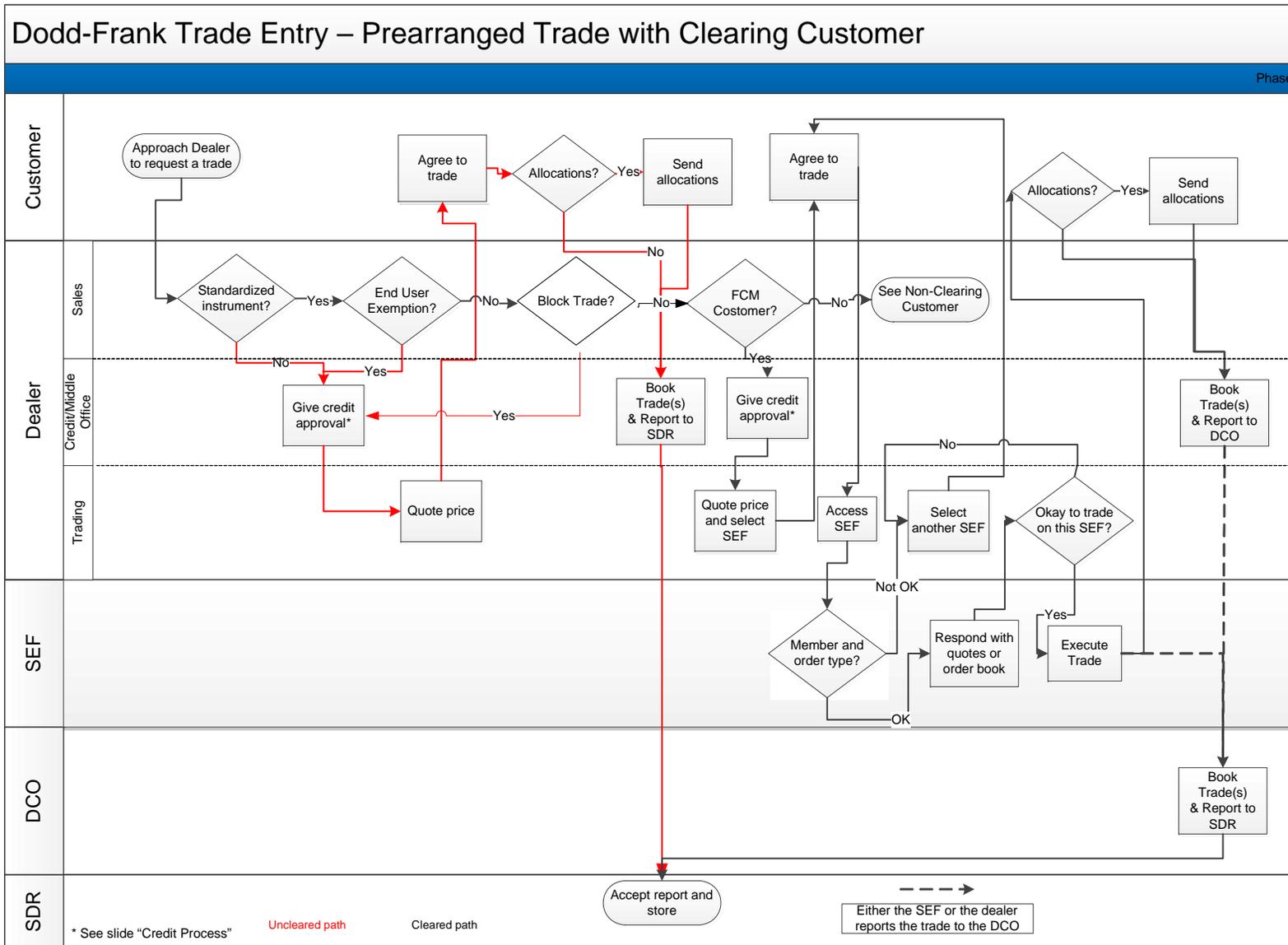
NEW YORK, April 14, 2011

NEW YORK, April 14, 2011 /PRNewswire/ -- Kinetix Trading Solutions Inc., a niche technology solutions provider to capital markets firms, announced today that it has signed an agreement to provide custom technology solutions and services for CME Group. Based on this agreement, Kinetix will provide technology components from their Trade Manager Suite and services to CME Group for its OTC clearing business. As a first engagement, Kinetix has built a web interface that provides access to CME Clearing margin scenario evaluators. This interface was rolled out successfully as part of CME Clearing's CDS and IRS product launch.

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# Typical Trade Flow under Dodd-Frank



# The Block Threshold Methodology

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We understand that the purpose of the proposed rule is to strike an appropriate balance between:

- 1) The need to capture as many swaps trades both on SEFs or DCMs and for real-time reporting as possible and
- 2) The need to protect liquidity providers who are doing large transactions (compared to average trade sizes) from having their positions exposed immediately to competitors.

We understand that the proposed calculation methodology is as follows:

1. Group the products into buckets for calculation purposes.
2. Collect trade volume data for all products in the bucket over a specified time period, say a year.
3. Sort the trades from smallest to largest.
4. Total the trade volume for the bucket, and multiply that number by the percentage you want to capture.
5. Sum the trade volumes cumulatively until the cumulative total equals or exceeds the value determined in Step 4.
6. The trade size at the point reached in Step 5 is the block threshold.

# The Block Threshold Issues

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The minor issue is that it depends on historical trading volume to set thresholds for the future.

- If volumes rise sharply, the threshold will capture a smaller portion of the trading volume for listed trading and real-time reporting than planned.
- If volumes drop sharply, more of the larger trades than planned will be forced onto SEFs/DCMs and into real-time reporting. This potential flaw can be rectified by running the calculations relatively often, say, once a month.

The major issue comes from including in a bucket products with sharply different trading volumes.

- In that instance, the products with lower volumes (and presumably lower liquidity) will have block thresholds so high, relatively speaking, that they may never be reached.
- Many of these products may not be MAT by any SEF/DCM, but their real-time reporting would expose liquidity providers to attack by their competitors as soon as the trade was published.

# The Block Threshold Solution

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The ideal solution would be to run the calculation on every UPI, which would generate a threshold specific to each product.

Our research on the resources necessary to do this calculation monthly on 10,000 UPIs with an average of 10,000 transactions each is that it would require a medium sized dedicated server, which puts it well within the capacity of the CFTC or SEC, or any third party you might choose.

This approach would require, in addition, that the agency make the thresholds available to market participants in an automated way, so they can download them relatively frequently into their order processing systems.

We have constructed a demonstration of this process on 5,000 transactions with volumes ranging from 100,000 to 250,000,000.

# Kinetix Capabilities

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- We can assist the CFTC in designing and implementing the block threshold solution
- We can develop the block threshold solution for implementation and management by the CFTC
- We can develop and run the block threshold solution as a service for the CFTC
- We can assist the CFTC in scoping, designing, and building other solutions:
  - Trade monitoring
  - Overall risk monitoring
  - SEF, DCO, and SDR approval