

CFTC RIN 3038-AF71 **Date of Submission:** August 8, 2026 **Submitted via:** Regulations.gov

Re: Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance (CFTC RIN 3038-AF71; SEC File No. S7-2026-21 / Release No. 33-11424; 34-105735)

Dear Mr. Kirkpatrick and Ms. Countryman,

On behalf of global retail market participants, **APES TOGETHER STRONG** submits this comment letter in response to the Commodity Futures Trading Commission's ("CFTC") and Securities and Exchange Commission's ("SEC") (together, the "Commissions") Joint Request for Comment on Further Definition of "Swap" and "Security-Based Swap" and on Alternative Compliance.

The Commissions' initiative to establish clearer regulatory boundaries under Title VII of the Dodd-Frank Act comes at a critical structural juncture. As financial markets rapidly converge through cross-margining engines, continuous 24/7 digital settlement layers, and off-balance-sheet swap structures, regulatory blind spots between CFTC "swaps" and SEC "security-based swaps" ("SBS") have been heavily exploited.

Criminal organizations with deep ties to Jeffrey Epstein interconnected and interlinked firms whom "funnel" & launder shadow banking liabilities, derivative re-lending, and cross-collateralizations exposure including derivatives and swaps has been revised drastically upward from a $26.8 quintillion baseline to a staggering $1.187 sextillion. This expansion is driven by complex networks of **synthetic equity wrappers, off-market tokenized balances, and broker-dealer disclosure exemptions** used to "funnel" and launder shadow banking liabilities furthermore collateralized through margin loan facilities and derivatives exchange i.e. LedgerX.

I. Product Definitions: Tokenized Equities, Synthetic Swaps, and Single-Security Prongs (Addressing Questions 1, 3, 6, & 8)

The statutory definitions under CEA Section 1a(47) and Exchange Act Section 3(a)(68) must be updated to explicitly encompass synthetic derivatives that mimic U.S. exchange-traded and private equities.

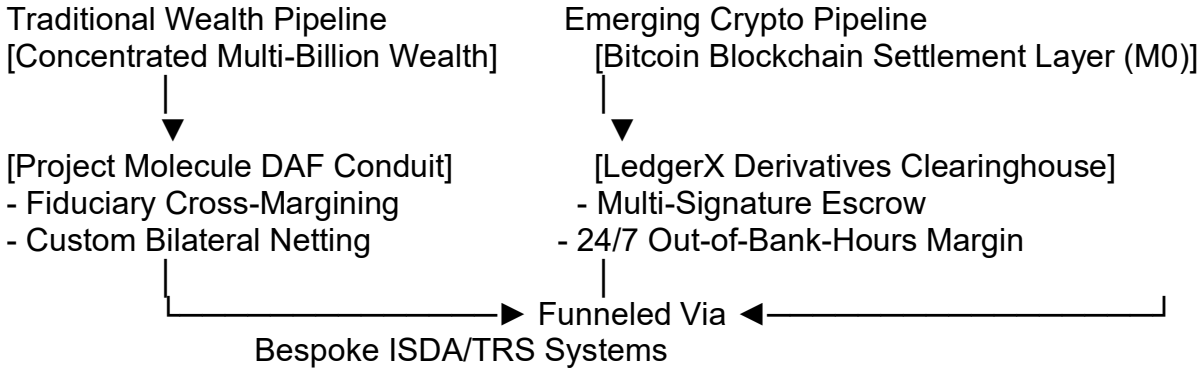
A. The "Tokenized Stock" Fraud and Synthetic SBS Misclassification

Offshore cryptocurrency platforms and domestic broker-dealers have engineered 24/7 synthetic "Tokenized Stocks" (e.g., Tesla, Apple, Amazon, GameStop) and "Private Company Stock Tokens" (e.g., OpenAI, SpaceX) that operate in a regulatory vacuum.

- **Database Derivative Reality:** Despite public representations that tokenized assets are backed 1:1 by physical equities through entities like CM-Equity AG or Special Purpose Vehicles (SPVs), forensic evidence proves these instruments are non-exchangeable database entries. They function purely as cash-settled synthetic financial contracts designed to mimic price movements.

- **Issuer Repudiation:** Primary corporate issuers (such as OpenAI and SpaceX) have formally repudiated these instruments, confirming they represent 0% corporate equity, were created without board authorization, and violate corporate bylaws. Executive leadership has publicly conceded these products are cash-settled synthetic derivatives.
- **Custodial Disconnect:** Platform operators routinely sever underlying custodial ties (such as CM-Equity terminating its relationship with FTX in December 2021) or utilize minority 9.9% equity stakes to bypass standard regulatory disclosures while continuing to issue unbacked derivative tokens.

Recommendation: The Commissions must issue a joint interpretation confirming that any digital token, contract, or instrument whose value is calculated by reference to a single equity security, narrow-based index, or private valuation—regardless of whether it is styled as a "token," "SPV interest," or "crypto-asset"—is inherently a **Security-Based Swap (SBS)** subject to SEC jurisdiction and mandatory clearing/reporting standards.





B. Total Return Swaps (TRS) and Synthetic Gross Leverage Suppression

Bilateral Total Return Swaps (TRS) executed under International Swaps and Derivatives Association (ISDA) master agreements have been systematically deployed to amass concentrated market power while suppressing counterparty credit risk.

- **Multi-Prime Brokerage Blind Spots:** Family offices (such as Archegos Capital Management) expanded gross exposures from $3.4 billion to $69 billion by distributing synthetic swap portfolios across 7 distinct prime brokers and 4 non-PB ISDA counterparties (including MUFG, Mizuho, Macquarie, and Goldman Sachs). Because each counterparty only saw roughly 20% of the swap exposure, no single institution possessed visibility into aggregate gross leverage.
- **13(f) Disclosure Disconnects:** Institutional Form 13F filings demonstrate that prime brokers routinely hold physical stock positions that are wildly disconnected from their synthetic swap exposures. For example, on September 30, 2020, Credit Suisse reported holding 2,088,120 physical shares of Baidu while running a synthetic swap exposure for a single client of 6,968,500 shares. Similarly, Goldman Sachs reported 2,754,520 physical shares of Discovery A while maintaining synthetic client exposure of 7,531,577 shares.
- **10% Beneficial Ownership Evasion:** Major swap desks (e.g., Nomura’s Delta One desk) deliberately cap physical stock hedging at 5.5% while extending synthetic long exposure up to 9.5% of an entire corporate issuer. This structural split bypasses statutory 10% beneficial ownership reporting, avoiding public restricted lists and allowing single funds to secretly corner up to 35% of an issuer's market float.

II. Security Futures, Perpetual Contracts, and Real-Time Collateralization (Addressing Question 11)

The expansion of cash-settled "perpetual futures" and 24/7 derivative clearinghouses requires clear statutory separation between security futures, broad-based commodity swaps, and security-based swaps.

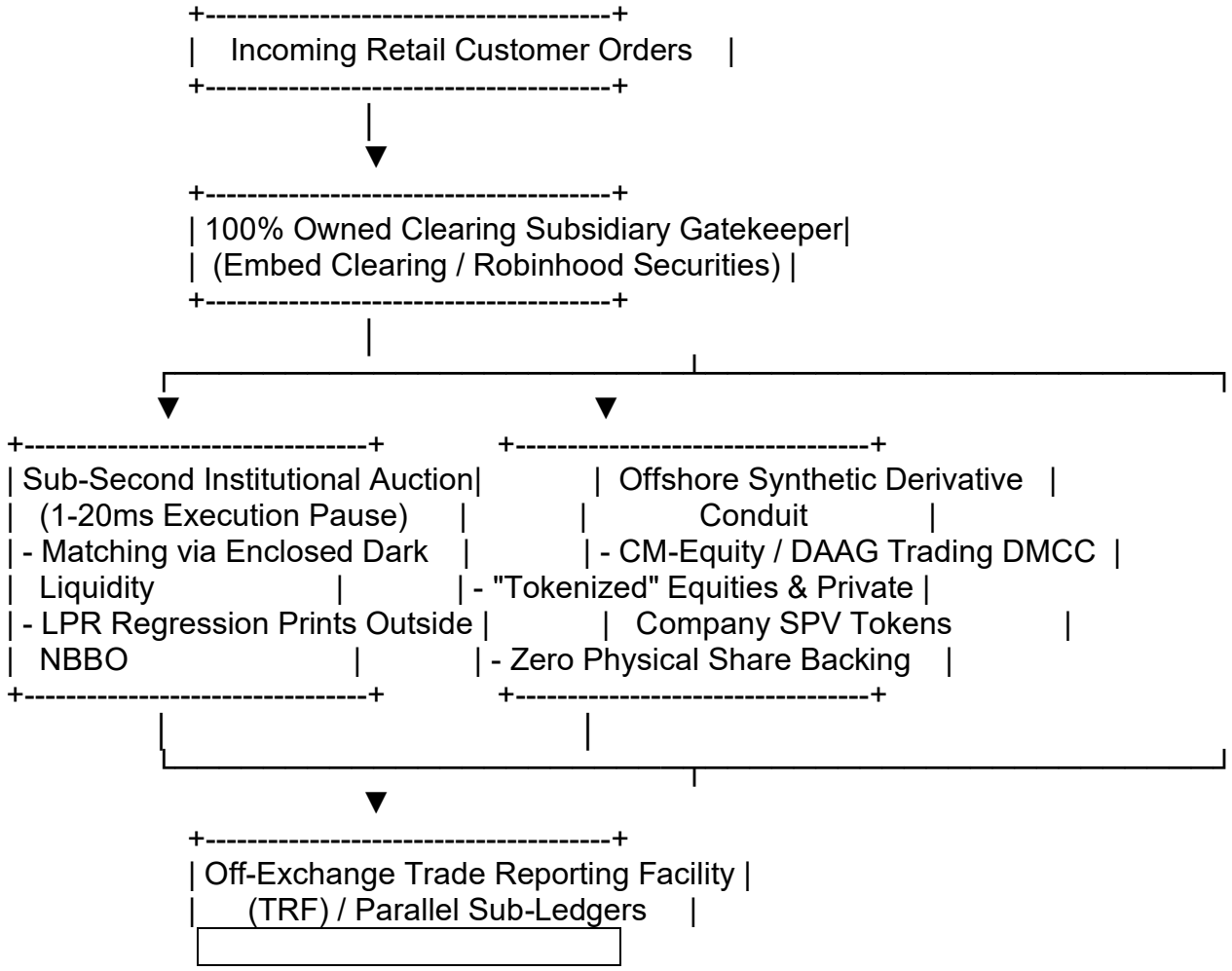
Real-Time Margining vs. Rehypothecation

As demonstrated by LedgerX LLC—a CFTC-registered Swap Execution Facility (SEF), Derivatives Clearing Organization (DCO), and Designated Contract Market (DCM)—fully-collateralized 24/7 clearing models using multi-signature cryptographic escrow eliminate settlement uncertainty. By requiring participants to post maximum potential loss in cash or digital assets prior to trade execution, LedgerX remained fully solvent and isolated during the 2022 FTX Chapter 11 bankruptcy and successfully evacuated cash reserves from failing banking institutions (such as Silicon Valley Bank) in March 2023.

Conversely, un-cleared perpetual contracts referencing single equities or digital assets allow institutions to rehypothecate customer margin, create off-balance-sheet liabilities, and manipulate price discovery. Cash-settled perpetual contracts referencing equity securities must be regulated as **Security Futures Products** or **Security-Based Swaps**, prohibiting un-collateralized leverage and off-exchange sub-ledger netting.

III. Data Integrity, Order Mis-Marking, and Reg SHO Violations (Addressing Questions 12 & 14)

Alternative compliance regimes cannot function without absolute data integrity across regulatory audit trails. Automated trading scripts and broker-dealer execution logic routinely corrupt data transmitted to Swap Data Repositories (SDRs) and the Consolidated Audit Trail (CAT).





A. Chronic Order Mis-Marking Protocols

- **Citadel Securities Coding Defect:** For over five years (September 2015 to September 2020), a coding error in Citadel Securities' automated logic mis-marked millions of sell orders. Handling schedule-based, "not-held" institutional orders on a riskless principal basis, the firm deferred transmitting execution reports ("roll-ups") to clients. While street-side legs updated inventory immediately, client-side updates were delayed for hours. Proprietary sell orders crossed zero blindly, mis-marking short sales as long sales and corrupting Electronic Bluesheet (EBS) and regulatory data.
- **Robinhood Securities Fractional Reg SHO Violations:** From December 2019 to December 2023, Robinhood Securities executed and mis-marked over 15 million principal short sales as "long" because its systems lacked the technical capability to calculate net proprietary positions in real time. Furthermore, between December 2019 and May 2022, the firm improperly marked over 58 million fractional riskless principal short sale orders as "long" by substituting customer long statuses for firm inventory checks. From May 2022 to December 2023, an additional 4.5 million orders were falsely marked as "short exempt" in direct violation of Reg SHO Rule 201(a)(8).
- **Archegos Compliance Falsification:** Fund personnel actively manipulated daily risk reconciliation sheets, calculating rolling "year-to-date average gross exposures" to dilute true active exposure by 70% during bank inquiries. Staff manually deleted symbols (such as AAPL and Pinduoduo - PDD) from long sections of internal Excel sheets and hardcoded prices to circumvent internal compliance filters.

IV. Alternative Compliance & Cross-Market Surveillance Frameworks (Addressing Questions 12, 13, 14, & 15)

We strongly oppose any "alternative compliance" framework that permits a market participant to satisfy CFTC or SEC obligations through un-coordinated, self-policed offshore standards.

A. Guardrails for Alternative Compliance

1. **Substantially Similar Outcomes:** Alternative compliance must require identical, machine-readable, real-time transaction reporting. Compliance with CFTC swap reporting (Parts 43 & 45) can only satisfy SEC SBS reporting (Regulation SBSR) if trade data is instantly accessible across both agencies.
2. **Elimination of Jurisdictional Arbitrage:** Entities utilizing offshore entities—such as DAAG Trading DMCC (Dubai), Zubr Exchange (Gibraltar), or CM-Equity AG (Germany)—to issue synthetic derivatives to global participants must be barred from U.S. alternative compliance unless the foreign jurisdiction enforces reciprocal, real-time SDR data sharing and full legal accountability.
3. **Mandatory Cross-Market Audit Trails:** The CFTC and SEC must establish joint surveillance protocols that integrate SDR data with the Consolidated Audit Trail (CAT). This integration must track riskless principal order routing, sub-second institutional dark auctions (e.g., 1–20 ms pauses that print outside the NBBO via regression curves), and internal broker-dealer sub-ledgers in real time.

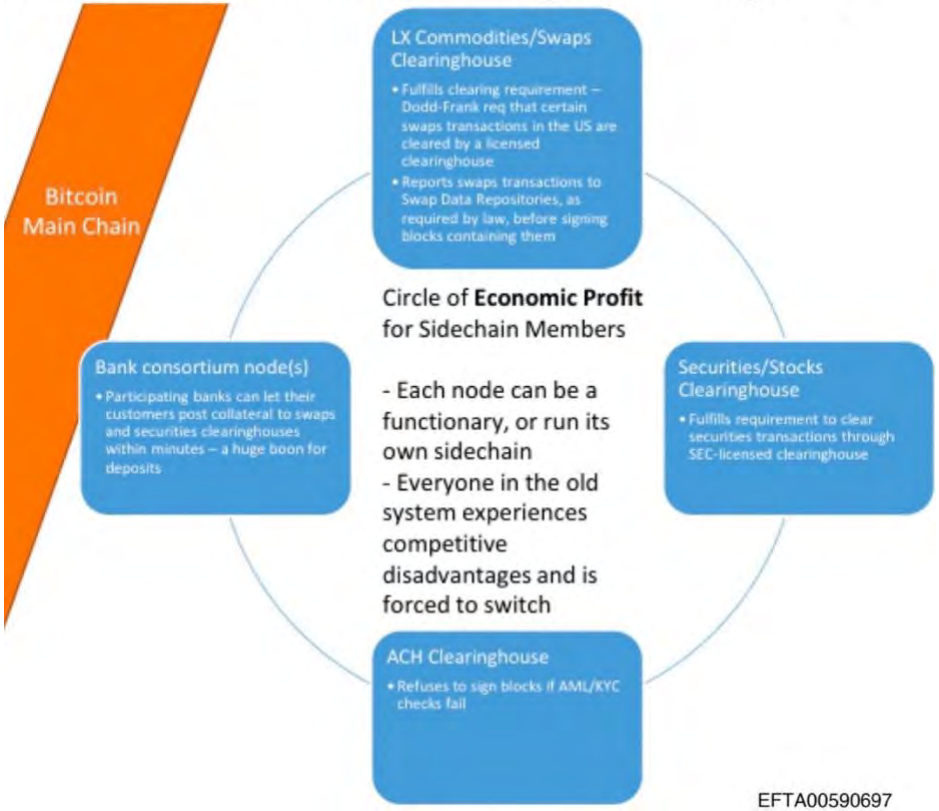
4. **Strict Enforcement of Dedicated Sourcing Ports:** To prevent volume-tier manipulation and mis-marking during monthly reset timeframes, the Commissions must mandate that proprietary orders and agency/riskless principal orders be routed through physically separate, dedicated execution ports.

From: Brock Pierce <[redacted]>
Sent: Wednesday, December 3, 2014 4:50 PM
To: Jeffrey Epstein
Subject: CCP LLC Docs
Attachments: Crypto Currency Partners II, LLC - Operating Agreement.pdf; Crypto Currency Partners II LLC Subscription Application.pdf

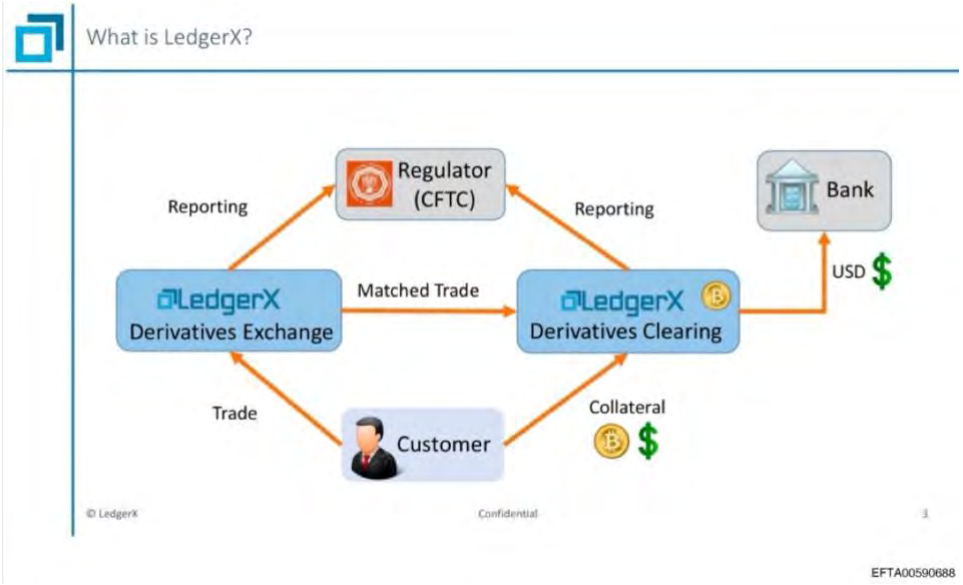
Jeffrey,

Attached are the docs I sent you for the LLC that w= intend to funnel your investments through. Please let me know if there ar= any issues with the structure and/or details. I'm available to chat a=y time.

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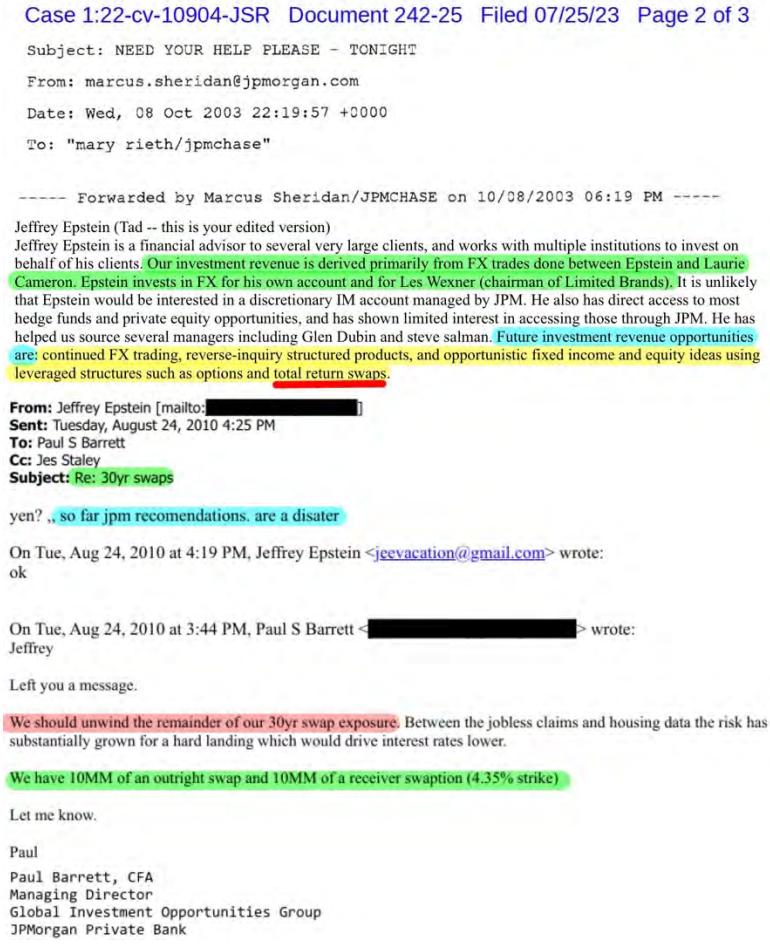


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Executive Summary

U.S. Department of Justice and court documents map out a web of high-level financial transactions, institutional relationships, and corporate evolutions spanning from 2003 to 2023. The data primarily converges on three major thematic areas:

- **Jeffrey Epstein's Financial Network & JPMorgan Relationship:** The documents highlight Jeffrey Epstein's deep integration with JPMorgan Chase (JPM). JPM personnel managed currency trades, interest rate swaps, and complex derivative accounts for Epstein and his primary client, Leslie Wexner (Chairman of Limited Brands). Epstein's relationship generated millions in revenue for the bank and was facilitated heavily by his in-house counsel, Darren Indyke.



Case 1:22-cv-10904-JSR Document 242-25 Filed 07/25/23 Page 2 of 3

Subject: NEED YOUR HELP PLEASE - TONIGHT

From: marcus.sheridan@jpmorgan.com

Date: Wed, 08 Oct 2003 22:19:57 +0000

To: "mary rieth/jpmchase"

----- Forwarded by Marcus Sheridan/JPMCHASE on 10/08/2003 06:19 PM -----

Jeffrey Epstein (Tad -- this is your edited version)
Jeffrey Epstein is a financial advisor to several very large clients, and works with multiple institutions to invest on behalf of his clients. Our investment revenue is derived primarily from FX trades done between Epstein and Laurie Cameron. Epstein invests in FX for his own account and for Les Wexner (chairman of Limited Brands). It is unlikely that Epstein would be interested in a discretionary IM account managed by JPM. He also has direct access to most hedge funds and private equity opportunities, and has shown limited interest in accessing those through JPM. He has helped us source several managers including Glen Dubin and steve salman. Future investment revenue opportunities are: continued FX trading, reverse-inquiry structured products, and opportunistic fixed income and equity ideas using leveraged structures such as options and total return swaps.

From: Jeffrey Epstein [mailto:[redacted]]
Sent: Tuesday, August 24, 2010 4:25 PM
To: Paul S Barrett
Cc: Jes Staley
Subject: Re: 30yr swaps

yen? ,, so far jpm recomendations. are a disater

On Tue, Aug 24, 2010 at 4:19 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:
ok

On Tue, Aug 24, 2010 at 3:44 PM, Paul S Barrett <[redacted]> wrote:
Jeffrey

Left you a message.

We should unwind the remainder of our 30yr swap exposure. Between the jobless claims and housing data the risk has substantially grown for a hard landing which would drive interest rates lower.

We have 10MM of an outright swap and 10MM of a receiver swaption (4.35% strike)

Let me know.

Paul

Paul Barrett, CFA
Managing Director
Global Investment Opportunities Group
JPMorgan Private Bank



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Subject: NWS event

From: mary.rieth@jpmorgan.com

Date: Tue, 20 Apr 2004 20:11:59 +0000

To: marta.salgado@jpmorgan.com

Bcc: assentor@jpmorgan.com

My guests are Darren Indyke and his wife, Michelle. Mr. Indyke is the in-house counsel for Jeffrey Epstein. Epstein is a private banking client in his own right, as well as the money manager for Leslie Wexner. The Epstein/Wexner relationship generated over $8.5 million in revenue in 2003, primarily SDI-related. Mr. Indyke works with us on all legal related matters, including negotiation of hedge fund subscription documentation, derivative term sheets and ISDAs. His assistance this past year was crucial to closing a number of important transactions with Epstein.

Please thank him for his consistent support to us on such a crucial relationship to the private bank.

Thanks!
Mary C. Rieth

tel: (212) 464-1747

fax: (212) 464-1312

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Case 1:22-cv-10904-JSR Document 326-118 Filed 09/08/23 Page 2 of 2

From: Mary C Casey [mary.c.casey@jpmorgan.com]
Sent: 3/9/2010 12:47:05 PM
To: Jes Staley [jes.staley@jpmorgan.com]
CC: Rosa M da Silva [rosa.m.dasilva@jpmorgan.com]; Paul V Morris [paul.v.morris@jpmorgan.com]
Subject: Jeffrey Epstein

Jes -- just a quick note to let you know that Jeffrey is now set up for business in the Private Bank (incl w/ an ISDA) on the GIO desk. Paul Barrett and Jeff Matusow are co-covering him on the GIO desk and Paul Morris will be his banker. Paul is a former investment banker from Barclays who joined our team last year. I'll make sure you get to meet him soon. So Jeffrey is well covered and hopefully the relationship will grow from here. We'll keep you posted.
Thanks.
Mary

Mary Casey, Managing Director, J.P. Morgan Private Bank
270 Park Avenue, New York, NY 10017
tel: (212) 464-0374; fax (212) 464-1311
mary.c.casey@jpmorgan.com

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- **The "Project Molecule" / Gates Donor Advised Fund (DAF):** In 2011, Jeffrey Epstein acted as a behind-the-scenes broker between JPM executives (Jes Staley and Mary Erdoes) and Bill Gates to propose a massive, high-profile "Super Donor Advised Fund" (initially referred to as Project Nucleus/Molecule) targeting minimum donations of $100 million. While Epstein pitched it as a revolutionary vehicle for the ultra-wealthy, Bill & Melinda Gates Foundation internal memos reveal a conscious effort to keep their core mission firewalled from these pitches, noting Epstein's "unseemly reputation due to a criminal conviction."

From: Jeffrey Epstein <jeevacation@gmail.com> EFTA00646027
Date: Fri, 4 Feb 2011 15:52:23 -0500
To: Larry Summers<[redacted]>
Subject:

home tel no.[redacted] ehud,,, please keep very private.. expecting your call

On Sat, Feb 5, 2011 at 7:15 AM, <[redacted]> wrote:
Spoke w him. He is tied up in israel political fight over army cos. we are trying for monday?

How was mandelson?

Sent from my Verizon Wireless BlackBerry

From: [redacted]
To: "Jeffrey Epstein" <jeevacation@gmail.com>
Subject: Re:
Date: Sat, 05 Feb 2011 13:04:52 +0000
Importance: Normal

Agree re peter. Strikes me guy has talent for lucrative intruige that he is not exploiting. Way shrewd about politics not money.

What is real story on madoff? Shouldn't jpm have known better? If they had no ob ligation to figure it out why should people private bank w them.

Gates sounds interesting.

L

Sent from my Verizon Wireless BlackBerry

From: Jeffrey Epstein <jeevacation@gmail.com>
Date: Sat, 5 Feb 2011 07:35:56 -0500
To: <[redacted]>
Subject: Re:

he stayed the week at my house. politically savvy, commercially less so. -- He thinks my making the super -rich ,richer should be re-thought. I talked to Staley regarding the Donor advised fund. You and I are invited to Seattle to spend serious time with Bill Gates.

Date: Sunday, February 6 2011 12:10 PM
From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley <jes.staley@jpmorgan.com>; ESTATE_JPM001591

donor advised fund. ;/ 1. you could tie it initally just to the gates program,, miinimum gift. 100 million. it could then be opend up later. IT will be the largest foundation in the world. You need an advisroy board for 1, investments. 2. distributions. . you will need an amministration , mirroring a mutual fund. 4. tax compiance dept. dedicated to the operation. IT will underpin a trust and estate . dept , the size of which will be enormous, 5. I would suggest , an irs auditor full time on site. 6, as a DAF , you will be able to take in funky assets. (sub s, closely held c's , Art,) valuation services. . sale and mgmt of 144 stock_). done right its 100 billion dollars in 2 years. thetension is making money from a Charitable Org. therefore the money making parts need to be arms length . salaries are disclosable ,and closely watched . Farming the investments to a highbridge is no brainer , but must be done with airtight opinions and reviewed by committees. I thought of University Heads. Foundation Chairs,for the boarrds It will be the most sort after board in the country.

To: Jes Staley[redacted]; Erdoes, Mary E[redacted]
From: Jeffrey Epstein
Sent: Sun 8/28/2011 10:45:11 AM
Subject: as of today,, no draft, - no financial proposal cutler / mary

Jeffrey Epstein to Jesshow details Feb 6

donor advised fund. ;/ 1. you could tie it initally just to the gates program,, miinimum gift. 100 million. it could then be opend up later. IT will be the largest foundation in the world. You need an advisroy board for 1, investments. 2. distributions. . you will need an amministration , mirroring a mutual fund. 4. tax compiance dept. dedicated to the operation. IT will underpin a trust and estate . dept , the size of which will be enormous, 5. I would suggest , an irs auditor full time on site. 6, as a DAF , you will be able to take in funky assets. (sub s, closely held c's , Art,) valuation services. . sale and mgmt of 144 stock_). done right its 100 billion dollars in 2 years. thetension is making money from a Charitable Org. therefore the money making parts need to be arms length . salaries are disclosable ,and closely watched . Farming the investments to a highbridge is no brainer , but must be done with airtight opinions and reviewed by committees. I thought of University Heads. Foundation Chairs,for the boarrds It will be the most sort after board in the country.s
jul 17

You can call and introduce yourself,, and tell him that Bill wanted you personally and he to work on the DAF. p.s. I understand that some low level jpm person in seattle, has been trying to pitch them on this idea..

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EFTA01859857

jul 27

GATES. you should tell dick that the first week or so in sept , we will provide him a full presentation for a DAF the new legal restrictions , a silo based proposal that will get bill more money for vaccines , a public realtions strategy, an internet strategy, a proposed structure that encompasses a to be populated list of advisory committess investmentcommitees , grant comittes,, and a menu of structural choices to maximiaze flexibillity, We envision a multibillion dollar fund fairly quickly, and will research the international implications , for bothe donors and grants.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley [redacted]>; Erdoes, Mary E
Sent: Wed Aug 10 04:19:42 2011
Subject: gates DAF

for the meeting with Dick , we should have a complete presentation,. IT needs to address how it enhances current giving by GF . vaccines, maternal care,, These should be two of the donor silos. . IT should have a structure, that for example purposes only, has , the best investors in the role of advisors. (we should decide whether being on the investment commmitee, automatially disqualifies an investment in ones particular fund , for example if LEon sat on the advisory board, should there be no apollo investments. (legal issue as well as optical).. JPM acts as fiduciary in every capacity,,It should deal with hard to value assets.. appreciated real estate. , (a real estate group, should be available). valuation firms, trust and estate experts. . The web based, investor access to information , could set an example for simple user interface. click or touch an investment silo to retrieve all relevant data, in many forms. This will be very HIGH profile. I propose a minimum of 100 million donation . It will be the most exclusive of clubs, In addition , though membersip in the "club"could be known , the gifts can be given anonymously. This will fulfill the wishes of many that have spoken to bill about wanting to do things but not wanting the publicity. For example funding Gay, Aids, Jewish, orgs, that otherwise might bring unwanted attention to the giver by both the press and its competing groups. For example, If someone wants to give money to a program that in any way competes with their self or perceived image. Another school. , program etc. many have expressed reservations that giving publicily woudl send a complex message to those institutions that have already close relations with the donor.

JPM-SDNYLIT-00016654

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley <jesstaley1@gmail.com>;Erdoes, Mary E" <mary.erdoes@jpmorgan.com>
Sent: 8/26/2011 10:13:53 AM
Subject:

I am more than happy to meet with anyone you think moves this along .. cutler. jamie. . etc.. As mary said it need to be PROPER. . please consider , there are four major areas of huge opportunity for some mutually satisfactory arrangement. Gates and his entourage (facebook, spotify (parker). Middle East. Africa, China. THe common thread is they all want private advice. . The opportunities like the DAf idea , originates with me, i cook it slowly, adding various ingredients almost fully cook it. and then want to turn it over to you . As I said to mary , if Tom Pritsker established an investment bank and I did most things with tom, could that be a beginning of a solution. ?

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JPM-SDNYLIT-00016924

From: Richard Henriques
Sent: Tuesday, September 13, 2011 8:17 PM EDT
To: Jeff Raikes; Bill Gates; Bill Gates
CC: Jenna Brereton (Geneva Global); Connie Collingsworth; Robert Rosen; Gabrielle Fitzgerald; Julie Sunderland; Ernest Loevinsohn; Boris Nikolic; Christine Turner; Andrea Voytko; Rose Patterson; Melinda French; Elizabeth Loy; Michele Boyer; Larry Cohen; Raymond Maas; Boris Nikolic; Christine Turner; Elizabeth Loy; Larry Cohen
Subject: 8/31 Meeting with Jes Staley et al on Donor Advised Funds
Attachments: MP Mtg notescrc doc.docx, Client Molecule Draft.FINAL-pdf.zip

Bill & Jeff,

Connie and I had a very informative discussion with Jes Staley and Mary Erdoes of JPM on August 31 to understand in some depth the "Super Donor Advised Fund" concept JPM is building out – the meeting notes and JPM presentation are attached. An important next is to establish the strategic direction for the foundation and coordination of foundation initiatives targeted at private donors. We will work with Boris to set up a meeting with Bill in October to discuss and receive guidance on alternative approaches to participating in donor advised funds. An agenda and additional background materials will be forthcoming in advance of the meeting. Please let us know if you have any questions of comments in the meantime.

Dick

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From: Duffy, John R [john.r.duffy@jpmorgan.com]
Sent: 9/20/2013 9:20:48 PM
To: Erdoes, Mary E [mary.erdoes@jpmorgan.com]
Subject: JE

Spoke with him. Good conversation. Told JE no on sole trustee or POA, yes for advisory role without discretion. Yes for custody in the client's name.

Tough one he brought up regarding Gates - JE and JPM as co-trustee. While I expect that this would be hard to get through - its like co-branding with him. We should still discuss it - Let's talk. He understood.

John R. Duffy
J.P. Morgan
CEO, U.S. Private Bank
270 Park Avenue
New York, NY 10017
Tel: 212-464-1468
Email: john.r.duffy@jpmorgan.com

J.P. Morgan Securities LLC
Confidential

On Wed, Nov 13, 2013 at 6:01 PM, Bill Gates <[redacted]> wrote:

I should understand better what I should do here.
Should I approach Leon specifically about doing a DAF?
I would like to do a few of them on a private basis and see how it goes.
I should start with the people who are most open minded to the construct.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Bill Gates <[redacted]>
Subject: Re: DAF structure learning?
Date: Wed, 13 Nov 2013 22:36:10 +0000

If you thought smart. Larry Summers would gladly be involved, the flexibility of the DAFS are custom made for the problems of the hyper rich. more and more people realize they can't give this much money to their children. however as Ive said before they have no solution. The Jp Morgan mini version was a failure, though it raised some money. To remind you, and you can check with Boris, I told you that this would not work . the presentations , goals persectives , were pedestrian sell side constructs. Mary Erdoes is a nice person. thats it. . Dafs allow anonymous giving, . so that ones alma mater is not hysterical that their favorite alumni has other interests. . portfolios can be designed for each individual so that they have a say in the investment makeup. (this quickly goes away). . It is like having a perpetual money fund, your children can advise in the future, an can call upon seasoned professionals. there is a limited number as you know of super high qualty people in any field , the chariable one , no exception. otherwise you have 50 families that have wealth greater than 5 billion , each setting up their own, having the same administration headaches concerns, and search criteria its silly. . look forward to spending time, it will be the most money any charity has ever had.

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Wednesday, November 13, 2013 2:19 AM
To: Bill Gates
Subject:

the art sales are an example of the cash pressure. that could be going for good causes. Donor advised Fund Apollo , leon black will do the money piece, you do the giving.
http://www.nytimes.com/2013/11/13/arts/design/bacons-study-of-freud-sells-for-more-than-142-million.html?hp&gwh=5AED892B89D4E7F3E7A9A9F2C792565F



December ___, 2012 **CONFIDENTIAL** ***[DRAFT FOR DISCUSSION PURPOSES ONLY]***

Mr. Larry Cohen, Manager
Business Operations
bgC3 LLC

RE: Letter of Understanding Regarding New Investment Entity

Dear Larry:

This letter sets forth certain general understandings by and between bgC3 LLC ("**bgC3**") and Boris Nikolic ("**BN**"). BN has previously entered into an Employment Agreement with bgC3. This letter does is not intended to alter the terms of that Employment Agreement, including without limitation the "at will" and "confidentiality" provisions of the Employment Agreement.

Company Formation The parties anticipate the formation of a corporation:

bgC3 or an affiliate of bgC3 will form and provide all necessary funding for a separate corporation ("bgC4") that will be organized as a Washington corporation

- ~~The parties anticipate that bgC3 or an affiliate of bgC3 will form a separate company (the "**Company**"), structured as a Washington~~ wholly owned and ultimately ~~or~~ controlled by William H. Gates III (the "**Owner**"), the sole purpose of which will be to evaluate, make, and manage investments in Opportunities (as hereinafter defined) in third-party entities as deemed appropriate by Owner in his sole discretion.

EFTA00583852

~~[what office shall BN hold in the Company?]~~

BN Activities BN will be responsible for the following:

- Sourcing and presenting to bgC4, as BN in his discretion may select, potential investment opportunities in bioscience and health-related industries, which may from time to time include investment opportunities in the technology sector (collectively, "**Opportunities**"), at a target rate of (but not limited to) three Opportunities per calendar year;
- Conducting due diligence on ~~Ensuring that~~ all Opportunities presented to bgC4 to determine that the Opportunities involve investments in bona fide third parties having no affiliation or conflict of interest with bgC3, the Owner, or any of their respective affiliates or existing investment relationships (including, without limitation, "BGI," the Bill and Melinda Gates Foundation, Cascade Investment, L.L.C., Intellectual Ventures LLC, Gates Ventures, LLC, and Microsoft Corporation); and
- Conducting scientific and operational due diligence as BN determines in his sole discretion to be appropriate on all Opportunities.

Activities of bgC3 bgC3 (or another appropriate affiliate of the Owner) will be responsible for the following:

- Evaluating such Opportunities as the Owner determines, in his sole discretion, to be appropriate;

EFTA00583853

[Date of Signing]

Cascade Investment, LLC
[CASCADE TO PROVIDE ADDRESS]

Re: Transaction between **[ENTITY OF BORIS NIKOLIC]** and Cascade Investement, LLC

Set forth below in this letter agreement are the principal terms and conditions for the transaction (the "Transaction") between **[ENTITY OF BORIS NIKOLIC]** ("Nikolic") and Cascade Investment, LLC ("Cascade") entered into on the Trade Date specified below. This letter agreement evidences a complete and binding agreement between Nikolic and Cascade to the terms of the Transaction to which this letter agreement relates. This letter agreement constitutes a "Confirmation" as referred to in the Master Agreement (as hereinafter defined). This letter agreement shall supplement, form part of and be subject to an agreement in the form of the 1992 ISDA Master Agreement (the "Master Agreement", a copy of which has been made available to all parties) as if we had executed an agreement in that form (but without any Schedule except for the elections of the laws of the State of Washington as the governing law and of United States Dollars as the Termination Currency) on the Trade Date of the Transaction.

EFTA01070909

(b) The "Notional Portfolio Amount" of the Transaction shall be One Hundred Million U.S. Dollars ($100,000,000) and the "Notional Portfolio Investment" in the Transaction shall be a One Hundred Million U.S. Dollar ($100,000,000) fixed portfolio of specified assets as set forth on Schedule A annexed hereto and incorporated herein. **[ASSETS TO BE DETERMINED] [Adjustments, if any, to be made to the Notional Portfolio Amount and/or the Notional Portfolio Investment (including the assets thereof specified on Schedule A) shall be as provided in Section 2(j) hereof.]**

(c) As of any relevant Valuation Date (as hereinafter defined), the "Notional Portfolio Investment Return" shall be a percentage equal to the percentage of the Total Return on the Notional Portfolio Investment on the relevant Valuation Date, minus the percentage of the Average Return of Cascade's entire investment portfolio on that same Valuation Date.

(d) [The Total Return on the Notional Portfolio Investment shall be calculated as follows:][QUESTIONS: IN DETERMINING TOTAL RETURN OF NOTIONAL PORTFOLIO INVESTMENT, YOU ARE COMPARING ASSET VALUE AS OF THE VALUATION DATE TO THE ASSET VALUE AS OF A PRIOR DATE. WHAT IS THAT PRIOR DATE? ARE YOU ALWAYS COMPARING TO THE INITIAL TRADE DATE OR DO YOU COMPARE ANNUALLY AND UPDATE THE VALUES EACH YEAR, OR DO YOU COMPARE TO THE LAST TIME YOU DID A VALUATION AND REDEMPTION? ARE YOU CALCULATING RETURN FOR EACH SEPARATE DEAL OR FOR THE PORTFOLIO AS A WHOLE?]

DRAFT

8/26/2011

Version 13

Wednesday, August 31, 2011

PROJECT MOLECULE – CLIENT DRAFT

Investment products: Not FDIC insured • No bank guarantee • May lose value

Please see important information at the end of this presentation.

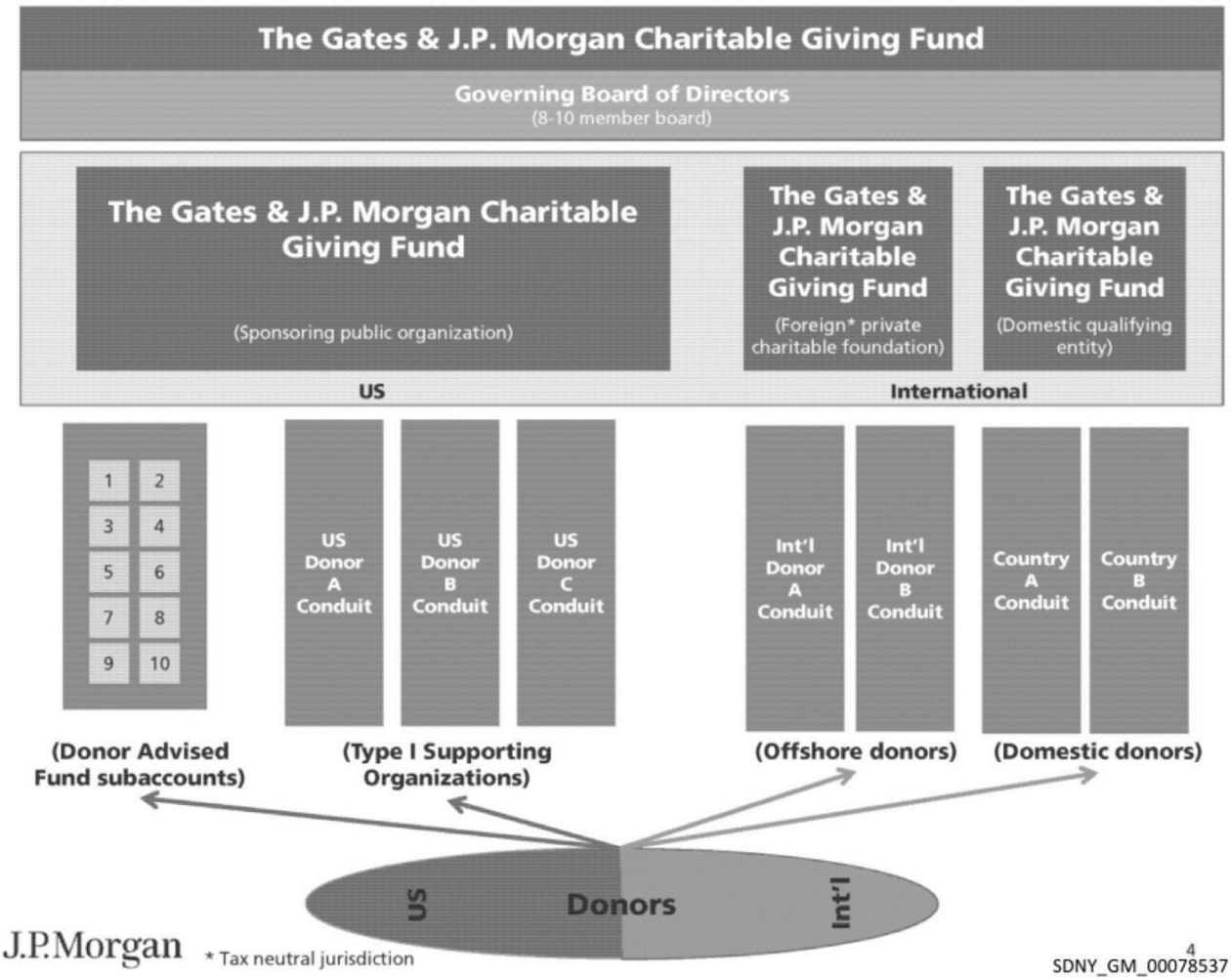
J.P.Morgan

CONFIDENTIAL

Confidential Treatment Requested by JPMorgan Chase

Structure

Recommended structure



J.P.Morgan * Tax neutral jurisdiction

CONFIDENTIAL

Confidential Treatment Requested by JPMorgan Chase

Structure

Managing risk and fiduciary responsibilities for over 160 years

Overall Portfolio Risk Management

- Liquidity
- Transparency
- Stress testing
- Drawdown
- Annual potential loss

The Gates & J.P. Morgan Charitable Giving Fund

Governing Board of Directors
(8-10 member board)

The Gates & J.P. Morgan Charitable Giving Fund	The Gates & J.P. Morgan Charitable Giving Fund	The Gates & J.P. Morgan Charitable Giving Fund
(Sponsoring public organization)	(Foreign* private charitable foundation)	(Domestic qualifying entity)
U.S.	International	

1 2	U.S. Donor A Conduit	U.S. Donor B Conduit	U.S. Donor C Conduit	Int'l Donor A Conduit	Int'l Donor B Conduit	Country A Conduit	Country B Conduit
3 4	*Restricted stock*	*Private Equity*	*Commodity Portfolio*	*Commercial Real Estate*	*EM Equity Portfolio*	*Hedge Funds*	*Restricted stock*
5 6							
7 8							
9 10							

(Donor Advised Fund subaccounts) (Type I Supporting Organizations) (Offshore donors) (Domestic donors)

U.S. Donors Int'l

J.P.Morgan

* Tax neutral jurisdiction.

SDNY_GM_00078540
Confidential Treatment Requested by JPMorgan Chase
JPM-SDNY-00001667
EFTA_00189007

Investments

J.P. Morgan advises each donor as their own CIO

J.P. Morgan

Global Head of Investment Strategy: Michael Cembalest

Fixed Income, FX and Commodities: Brian Carlin | Equities: Kevin Alger | Alternatives: David Frame | Manager Selection: Jamie Kramer | Portfolio Construction: Archan Basu

Works with

Board of Directors Investment Committee

S.O. Investment Committee

The Gates & J.P. Morgan Charitable Giving Fund

Committee Members

Voting
- Warren Buffett
- George Kaiser

Non-voting
- Ted Forstmann
- Lee Cooperman
- Mike Cembalest
- David Rubenstein
- Mary Erdoes

The Gates & J.P. Morgan Chartable Giving Fund Donor Investor ⟷ The Gates & J.P. Morgan Chartable Giving Fund Donor CIO: Tony Werley

The Gates & J.P. Morgan Chartable Giving Fund Donor

J.P.Morgan

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Confidential Treatment Requested by JPMorgan Chase
JPM-SDNY-00001671
EFTA_00189011
EFTA01301125



The Gates & J.P. Morgan Charitable Giving Fund will benefit from J.P. Morgan's rich philanthropic history and resources

Philanthropy

J.P. Morgan

The Philanthropy Centre

- **Diane Whitty,** Co-head of the Centre
- **Jackie Elias,** Co-head of the Centre
- **Rebecca Eastmond,** Senior Philanthropic Advisor, EMEA
- **Erin Hogan,** Senior Philanthropic Advisor, U.S.

Philanthropic Services

- **Casey Burgess,** Philanthropic Advisor
- **Connie Brandeis,** Philanthropic Advisor
- **Jonathan Horowitz ,** Philanthropic Advisor

Wealth Advisory

- **Debra Treyz,** Senior Wealth Advisor
- **Janine Racanelli,** Senior Wealth Advisor

Works with

The Gates & J.P. Morgan Charitable Giving Fund

Board of Directors Strategic Program / Grant and Distribution Committee

S.O. Strategic Program / Grant and Distribution Committee

Committee Members

- Melinda Gates (Chair)

Potential Committee Members

Dr. Anthony Lake
Ray Chambers
Indra K. Nooyi
Terry Gou
Susan Rice
Queen Rania of Jordan
Dr. Charles MacCormack
Jeffery Sachs
Seth Berkley

And will build on the successful Gates Foundation and J.P. Morgan partnership efforts in areas of global health and education

J.P.Morgan

Confidential Treatment Requested by JPMorgan Chase

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EFTA01301126



BILL & MELINDA GATES *foundation*

Meeting with Jes Staley and Mary Erdoes, JP Morgan

Date: August 31, 2011
Location: JP Morgan, 270 Park Ave (bet 47th & 48th Sts), 48th Floor, Room B

Foundation Attendees: *In NYC:* Dick Henriques, Connie Collingsworth *By phone:* Gabrielle Fitzgerald, Jennifer Alcorn, Andrew Farnum

JP Morgan Attendees:

- ***Jes Staley***, Chief Executive, JP Morgan Investment Bank; Member of JP Morgan Chase's Executive and operating Committees
- ***Mary Erdoes***, Chief Executive of JP Morgan Asset Management
- ***Monica Issar***, Head of the JP Morgan Asset Management Endowments & Foundations Group

Overview:

- Prompted by Bill and Boris, Jes (short for James E. Staley) Staley requested a meeting with Dick without setting a formal agenda.
- After many conversations with our contacts within JP Morgan (JPM), we understand that he will present "Project Nucleus/Molecule" (see background section for details).
- As we understand it, the "Project" is an independent response to conversations Jes had with Bill and *is not directly related* to work the foundation has underway with JPM's Social Finance Team or the Private Bank.
- Bill may have linked the two concepts of "Donor Advised Funds" from his discussions with Jes and Jeff Epstein (described in more detail below) with the Private Donor Fund concept that GHPA presented to him at their strategy review
- Objectives for the meeting:
  - Ensure that Jes's pitch for the "Project" does not distract or derail the work underway between the foundation and JPM; and
  - Affirm our appreciation for JPM's collaborations with the foundation over the last three years.
- The background sections in this memo include:
  - "Project Nucleus/Molecule"
  - Politics within JPM around the GH Financing Facility
  - Overview of the JPM GH Private Donor Fund
  - Matrix of fund/fundraising "Products"
  - Giving Pledge Messaging
  - Bios of JPM Participants

High Level Talking Points:

- Relationship with JP Morgan:
  - The foundation appreciates the great collaboration it has shared with JPM over the last three years.
  - We are especially appreciative of the secondment program that we developed with the investment bank and the great resources provided to the foundation by the investment bankers who participated (Nic Johnston in the healthcare group and Glenn Rockman in public finance). We are hopeful that such collaborations can continue in the future.
  - We're excited that the natural progression of our relationship is leading to the development of tangible products that can have an incredible impact on the global health issues they support.

Case 2:22-cv-01090-JLR Document 83-5 Filed 07/28/25 Page 3 of 8

BILL & MELINDA GATES *foundation*

  - We're also pleased that Bill agreed to participate in the JPM Alternative Investments Summit in January – thank you for inviting him.

- Project Nucleus/Molecule:
  - We know that Bill is interested in Donor-Advised Funds as a mechanism to channel more philanthropic capital into development and social causes, especially in the context of his work on the Giving Pledge.
  - It is important for you to understand that the foundation and the Giving Pledge are two separate efforts supported by Warren, Bill and Melinda. While the team that supports the Giving Pledge works closely with the foundation, we consider their work firewalled and entirely separate from our mission. Connie and I represent the foundation in this meeting.
  - Those who join the Pledge are provided a neutral space to learn from one another; Warren, Bill and Melinda have ensured this neutrality and are unwilling to market the issues or vehicles they support.
  - We want to ensure that this concept is separated from the work the foundation is doing with your Social Finance Team and the Private Bank.
  - We want to make sure that your efforts with regards to this particular Donor-Advised Fund concept and the Giving Pledge are supported appropriately by Bill and the Giving Pledge staff. We know that Bill really appreciates the thinking and work that JPM has done, but is also looking at the resources provided by other organizations.

Background: "Project Nucleus/Molecule"

Project Nucleus/Molecule ("Project") is an independent response to a conversation we understand Bill and Jes had in Davos in January 2011. Most of what we understand about the Project has been passed to us by JPM staff and is not direct knowledge of what will be presented. (Note: JPM staff have not shared an advance copy of the materials with us.)

Our Understanding of the Project

Leaving the context for how we think this came to fruition to the next section, this is our understanding of the Project:

- The Project is structured as a Donor Advised Fund (DAF);
- It would sit offshore to provide tax benefits to donors globally and not just from the US;
- It would allow donors to park their philanthropic dollars in one place, get an immediate tax benefit (in most cases), and make minimal payouts while their money is being managed and invested by JPM;
- JPM believes that the foundation could move its endowment into a product structured this way;
- Additionally, they believe that Bill may "market" this to the Pledgers.

How the Project Came to Be

After various conversations with JPM, Boris Nikolic, and based on Bill's email, the following is our understanding of how this came to fruition.

- Bill had a hallway conversation with Jes Staley at Davos in January 2011 that prompted Jes to build a team at JPM to work on the Project.

BILL & MELINDA GATES *foundation*

- Earlier this year, Boris brought together "think tanks" for Bill to learn more about DAFs – after these sessions, Bill spoke about how he might have set up the foundation in a similar structure when it was started had he known more then.
- Jes was invited to the think tanks but could not attend – he and Bill spoke about DAFs by phone.
- Bill and Jes share a mutual "friend" in Jeff Epstein (an important behind the scenes "broker" in the finance world with an unseemly reputation due to a criminal conviction):
  - From JPM, we know that Jeff has the ear of Jes and has helped recruit (behind the scenes) some of JPM's biggest clients.
  - From Bill's email, we know that he has spoken with Jeff and has discussed the DAF concept with him.
  - We think that Jeff is the link between Bill and Jes and has been feeding Jes information to shape the Project.
  - Jes seems to believe that, with the right product and operational setup, they could manage the endowment and the foundation's operations.

Background: Politics behind the GH Financing Facilty

- Our understanding is that GHFF is not the subject of this meeting, though Jes may raise it as an example of JPM/BMGF cooperation.
- JPM's Social Finance group has told us that Jes has a philosophical bent against all social investment funds, and therefore he personally is not supportive of GHFF.
- In fact, Jes was the primary instigator of the Social Finance group being forced to leave the investment bank earlier this year. It now sits within JPM corporate (the GHFF will be managed by their Asset Management side led by Mary Erdoes, who is also attending the meeting).
- Despite Jes's lack of support, GHFF has the backing of Jamie Dimon and JPM's Executive and Operating Committees and will move forward.
- If GHFF is raised, we recommend expressing support for the project and our appreciation for the great work of the bankers from the Investment Bank's Social Finance, Health Care and Debt Capital Markets groups.

Background: Overview of the JPM GH Private Donor Fund

GHPA has been working with JPM's Private Bank since spring 2009. Our relationship has focused on educating and cultivating their clients on GH issues, including:

- JPM hosting two major events featuring Melinda and Tachi as keynote speakers for their UHNW clients interested in international giving;
- JPM hosting GH-focused meetings with UHNWI in Argentina and the UAE;
- JPM referring clients interested in GH and GD to the foundation, along with marketing the GH investment cases to clients;
- The foundation convening a group of JPM's UNHWI clients for a "GH Learning Circle" in our Seattle offices.

GHPA has used the JPM relationship as major learning initiative. From our interactions with UHNWI, we've learned that there is a deep interest in co-funding alongside the foundation to leverage our expertise, due diligence, etc. Yet, we've also learned that cultivating and managing these relationships (with the end goal of raising money) requires more capacity than we often have.

BILL & MELINDA GATES *foundation*

These learnings led GHPA and JPM to begin developing a GH Private Donor Fund as a wholesale approach to engaging their clients. The framework for the Fund is as follows:

- **Goals**:
  - Increase funding for GH issues by piloting a private donor fund w/ JPM.
  - Respond to Bill's requests to bring in new money for global health issues.
  - To leverage JPM's ability to market the Fund in a wholesale way (because our internal Private Donor team is only 1 FTE).
  - Learn from the pilot to understand what is appealing to UHNWI to inform future products and services the foundation and its grantees can provide.

- **Structure:**
  - JPM Clients (and potentially others) "buy in" to Fund with a minimum $1m donation.
  - They can determine if funding allocated across projects or to specific projects.
  - They can determine percentage of donation spent each year (though we will likely set a percentage that needs to be spent each year – likely at least 50%).

- **Foundation's role:**
  - Identifies projects and grantees based on priorities and current grantmaking (projects to revolve every 1 – 2 years).
  - Develop investment cases that share our expertise on a disease issue and promote specific projects that we have invested in as our "seal of approval".
  - (TBD) Offers learning opportunities for donors (e.g. sessions with foundation experts, learning trips, etc) – this is a way to engage donors in global health and potentially development on a broader scale to bring in additional new funding.

- **JPM's role:**
  - Markets Fund to UHNWI clients and potentially others.
  - Houses Advisory Board (JPM and BMGF staff sit on board and donors are informal "advisors").
  - Makes grants and reports back to donors.

- **GH Issues for first offering:**
  - ***Polio Eradication in Africa.*** Polio is the top GH priority and this fund will focus on funding eradication efforts in 3 African countries – S. Sudan, Angola, and Chad.
  - ***Ending Epidemic Meningitis A in Africa.*** MenA vaccine, developed with foundation funding, can eliminate epidemic meningitis A in Africa in this decade. This fund supports vaccination campaigns in 3 countries where limited funding gaps exist.
  - ***Treating Neglected Tropical Diseases in Africa.*** It costs less than $1.25 per year per person to treat 7 of the most prevalent NTDs. This fund will support NTD "mass drug administration" campaigns in 1 – 3 countries to eliminate disease burden for mass populations.

BILL & MELINDA GATES *foundation*

Background: Giving Pledge Messaging

Giving Pledge messaging focuses on the steady progress and the value pledgers are getting from having taken the pledge. Over the next year, the Pledge will talk to the long-term nature of the effort and situate this effort into the broader conversation about giving in the US.

- ***Overall:*** The Giving Pledge is an effort to help address society's most pressing problems by inviting the wealthiest individuals and families in America to commit to giving the majority of their wealth to the philanthropic causes and charitable organizations of their choice either during their lifetime or in their will.
- ***Achieving 100:*** Building on America's strong tradition of philanthropy, our sights are set on achieving 100 pledgers joining the Giving Pledge. A focus on the 'Founding 100' contributes to a broader trend of Americans who give generously (often at great personal sacrifice) to address the world's most pressing problems.
- ***Impact:*** The Giving Pledge encourages wealthy families to talk about giving and inspire more people to tackle problems that are inherently difficult and diverse, such as improving education or the criminal justice system or fighting childhood poverty or researching the next medical miracle.
- ***Learning:*** Pledgers are serious about giving. We are challenging our thinking and learning so much from one another to improve our own efforts to make a difference in building a better world.

Bios: JPM Participants



Jes Staley
Chief Executive Officer, Investment Bank

Jes Staley is the CEO of J.P. Morgan's Investment Bank (since 2009). He is a member of JPMorgan Chase's Executive Committee and Operating Committee, the decision-making group for day-to-day strategic and operating matters of the firm.

He was most recently CEO of J.P. Morgan Asset Management, one of the largest asset and wealth managers in the world with over $1.5 trillion of assets under supervision.
Mr. Staley led J.P. Morgan's expansion into alternatives, including J.P. Morgan's strategic partnership with Highbridge Capital Management.

Mr. Staley joined J.P. Morgan in 1979 after graduating from Bowdoin College with a degree in economics. From 1980 to 1989, he worked in the bank's Latin America division, where he served as head of corporate finance for Brazil and general manager of the company's Brazilian brokerage firm. Eight of these years were spent in São Paulo. He was one of the founding members of J.P. Morgan's equities business, which consolidated the firm's extension into investment banking in the early 1990's. He ran Equity Capital Markets and Syndicate.

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BILL & MELINDA GATES *foundation*

In 1999, Mr. Staley was tapped to head J.P. Morgan's Private Bank, which under his leadership improved profitability threefold in two years. Late in 2001, he was promoted to his previous position, adding the asset management business to his responsibilities.

Mr. Staley and his wife have two daughters and live in Manhattan. He is an avid sailor and sits on the American Museum of Natural History's Advisory Council and the Board of Trustees of Bowdoin College.



Mary Callahan Erdoes
Chief Executive Officer, Asset Management

Mary Callahan Erdoes is Chief Executive Officer of J.P. Morgan's Asset Management line of business, one of the largest asset and wealth managers in the world, with $1.5 trillion of assets under supervision (as of July 2009). She is a member of JPMorgan Chase & Co.'s Executive Committee and Operating Committee, the decision-making groups for the day-to-day strategic and operating matters of the corporation.

In 1996, Ms. Erdoes joined J.P. Morgan Investment Management as head of fixed income for high-net-worth individuals, foundations and endowments. In 1999, she became head of Investment Management and Alternative Solutions for the Private Bank. Following the J.P. Morgan/Chase merger in 2000, Ms. Erdoes assumed responsibility for the global suite of investment solutions and investment strategy for private banking clients worldwide. In 2005, Ms. Erdoes was named CEO of J.P. Morgan's Private Bank. In 2008, she became Chairman and CEO of Global Wealth Management at J.P. Morgan, which comprises the Private Bank, Private Wealth Management, and Bear Stearns Private Client Services.

Before joining J.P. Morgan, Ms. Erdoes was a managing director with Meredith, Martin & Kaye, a fixed income specialty advisory firm. Prior to that, she worked at Bankers Trust in corporate finance, merchant banking and high yield debt underwriting.

Ms. Erdoes is a graduate of Georgetown University (B.S.) and Harvard Business School (M.B.A.). She is a member of the Board of Directors of the U.S. Fund for UNICEF. In 2009, Forbes magazine named Mary one of "The 100 Most Powerful Women in the World," and US

Banker magazine featured her among the 25 Most Powerful Women in Banking. She lives in New York City with her husband and three daughters.



Monica Issar
Head of the J.P. Morgan Asset Management Endowments & Foundations Group

Ms. Issar leads a team of experienced investment specialists, across the firm's Investment Management and Private Banking divisions, who provide customized advisory services and cross asset class investment strategies to public and private endowments and foundations.

Meeting with Jes Staley and Mary Erdoes, JP Morgan Page 6 August 22, 2011
Author: Jennifer Alcorn and Julie Sunderland
Confidential

BILL & MELINDA GATES foundation

Ms. Issar joined J.P. Morgan Investment Management in 1996, where she worked in the equities business in JPMIM. She then moved to the firm's Private Bank as a senior investment specialist. In this role, she worked with public company CEOs, hedge fund managers and endowment and foundations to create and implement investments strategies to sustain and grow their wealth. She has counseled some of the world's largest charitable organizations on how to successfully navigate complex market environments to ensure they meet their goals.

Ms. Issar is a founding member of J.P. Morgan's Foundation Research and Investment Center, a global multi-disciplinary group focused on providing foundations with insights and services to help them meet their financial and philanthropic goals. She is also a member of the Board of Directors of Community Resource Exchange (CRE), a nonprofit social change consulting firm, and the South Asian Women's Leadership Forum, (SAWLF). In 2009, Ms. Issar was named one of "the Top 1,000 Advisors in the U.S for New York," by Barron's magazine.

Ms. Issar earned both a Bachelor of Science and a Masters of Business Administration from New York University. She lives in New York City with her husband and two children.

- **Crypto Infrastructure & LedgerX Evolution:** U.S. Department of Justice and court documents detail early-stage cryptocurrency fundraising involving Brock Pierce (Crypto Currency Partners/Coinbase Series C) and Jeffrey Epstein in 2014, alongside a detailed 2016 corporate pitch for LedgerX. LedgerX's subsequent financial statements outline its trajectory as a CFTC-regulated derivatives clearinghouse, its 2021 acquisition by West Realm Shires Inc. (FTX.US), its isolation from the 2022 FTX bankruptcy, and its frantic cash movements during the March 2023 banking crisis involving Silicon Valley Bank and Signature Bank.

From: Brock Pierce <[redacted]
Sent: Wednesday, December 3, 2014 4:50 PM
To: Jeffrey Epstein
Subject: CCP LLC Docs
Attachments: Crypto Currency Partners II, LLC - Operating Agreement.pdf; Crypto Currency Partners II LLC Subscription Application.pdf

Jeffrey,

Attached are the docs I sent you for the LLC that w= intend to funnel your investments through. Please let me know if there ar= any issues with the structure and/or details. I'm available to chat a=y time.

EFTA_R1_02113346
EFTA02708994

From: Brock Pierce <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: The Stephens brothers - Potential Series C Investors
Date: Mon, 01 Dec 2014 18:18:21 +0000
Attachments: 4855_001.pdf; Amended_and_Restated_Co-Sale_Agreement_(Series_B).pdf; Amended_and_Restated_Investor_Rights_Agreement_(Series_B).pdf; Amended_and_Restated_Voting_Agreement_(Series_B).pdf; Capitalization_Table.xls; Coinbase_Global_-_Amended_and_Restated_Certificate_of_Incorporation.pdf; Coinbase_Series_C.pdf; Series_B_Stock_Purchase_Agreement_(Series_B).pdf; Series_C_Term_Sheet.pdf

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Jeffrey,

The Coinbase Series C is going to be finalized this week. I have gotten us allocation if you're interested and able to move fast. Should be a $60M financing. The syndicate of investors in the round are DFJ Growth, a16z (Andreessen Horowitz), USV, Ribbit Capital and a few bank venture arms and traditional financial service players. Are you available to talk to the co-founder who is spearheading the financing today?

EFTA00679451

From: "jeffrey E." <jeevacation@gmail.com>
To: Jeremy Rubin <[redacted]>
Subject: Re: Intro: Jeremy <> Zach at LedgerX
Date: Sat, 26 Mar 2016 16:25:02 +0000

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a " bit " , where is the version on how they make money and when , and how much time or cost it takes to get there.

On Sat, Mar 26, 2016 at 11:32 AM, Jeremy Rubin <[redacted]> wrote:
> Yeah you're right. Sorry, I did minimal review of the document this morning, this is a bit fluffy.
>
> I'll ask them for real details.
>
> On Saturday, March 26, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
> > i would like to see numbers, biz plan, this is a deck for the newspapers
> >
> > On Sat, Mar 26, 2016 at 8:34 AM, Jeremy Rubin <[redacted]> wrote:
> > > Lmk what you think.

EFTA00830809

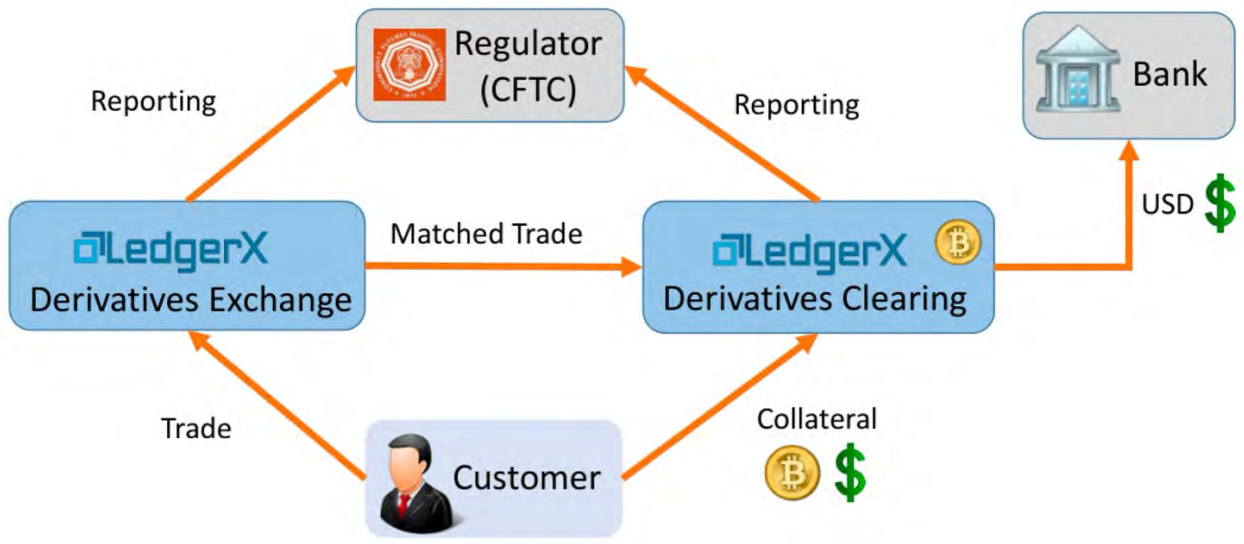
LedgerX Options Exchange + Bitcion Clearinghouse: Series B

Confidential

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EFTA00590685

What is LedgerX?



EFTA00590688

Bitcoin as collateral

- Same asset in every jurisdiction
- Less FX risk – collateral posts within 10 minutes (or 1 minute on sidechains)
- Margin in Europe, Asia and US, using the same collateral, any time
- Bitcoin blockchain is the only battle-tested blockchain, operating on public Internet 24/7 for multiple years
- CFTC has affirmatively asserted jurisdiction over bitcoin derivatives
- It's the most relevant use case

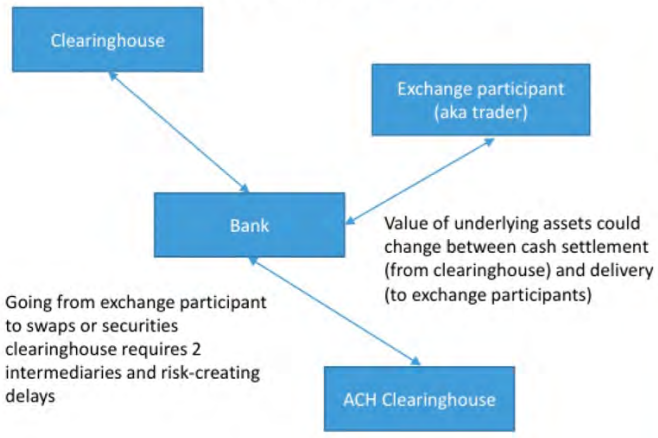
"Importantly, while there has been a great deal of discussion around implementing real-time settlement using distributed ledger technology, the current U.S. equity market convention of T+3 is based on laws and market structures. Modernizing current practices and laws to enable real-time settlement are not dependent on the use of blockchain technologies." – "*Embracing Disruption*" whitepaper, DTCC, January 2016

US Financial System: Before and After

Before Bitcoin + sidechains

Time risk everywhere!

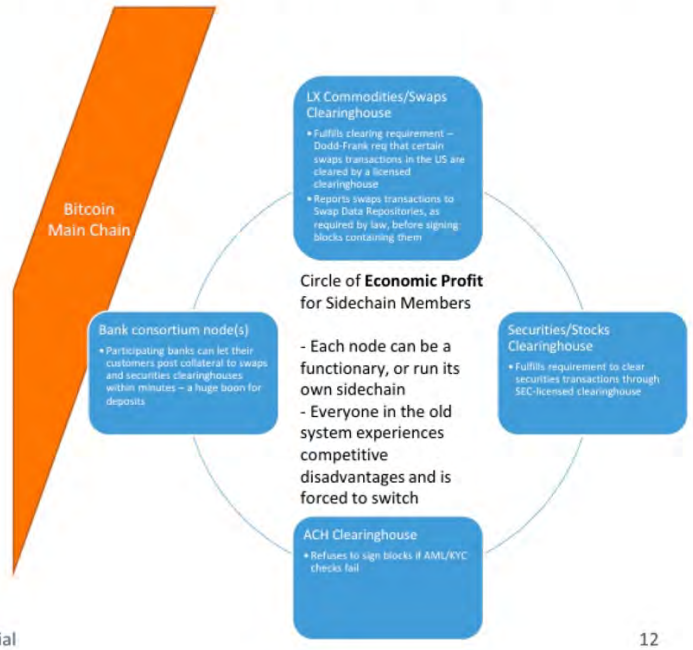
Arrows are collateral and asset transfers



Value of underlying assets could change between cash settlement (from clearinghouse) and delivery (to exchange participants)

Going from exchange participant to swaps or securities clearinghouse requires 2 intermediaries and risk-creating delays

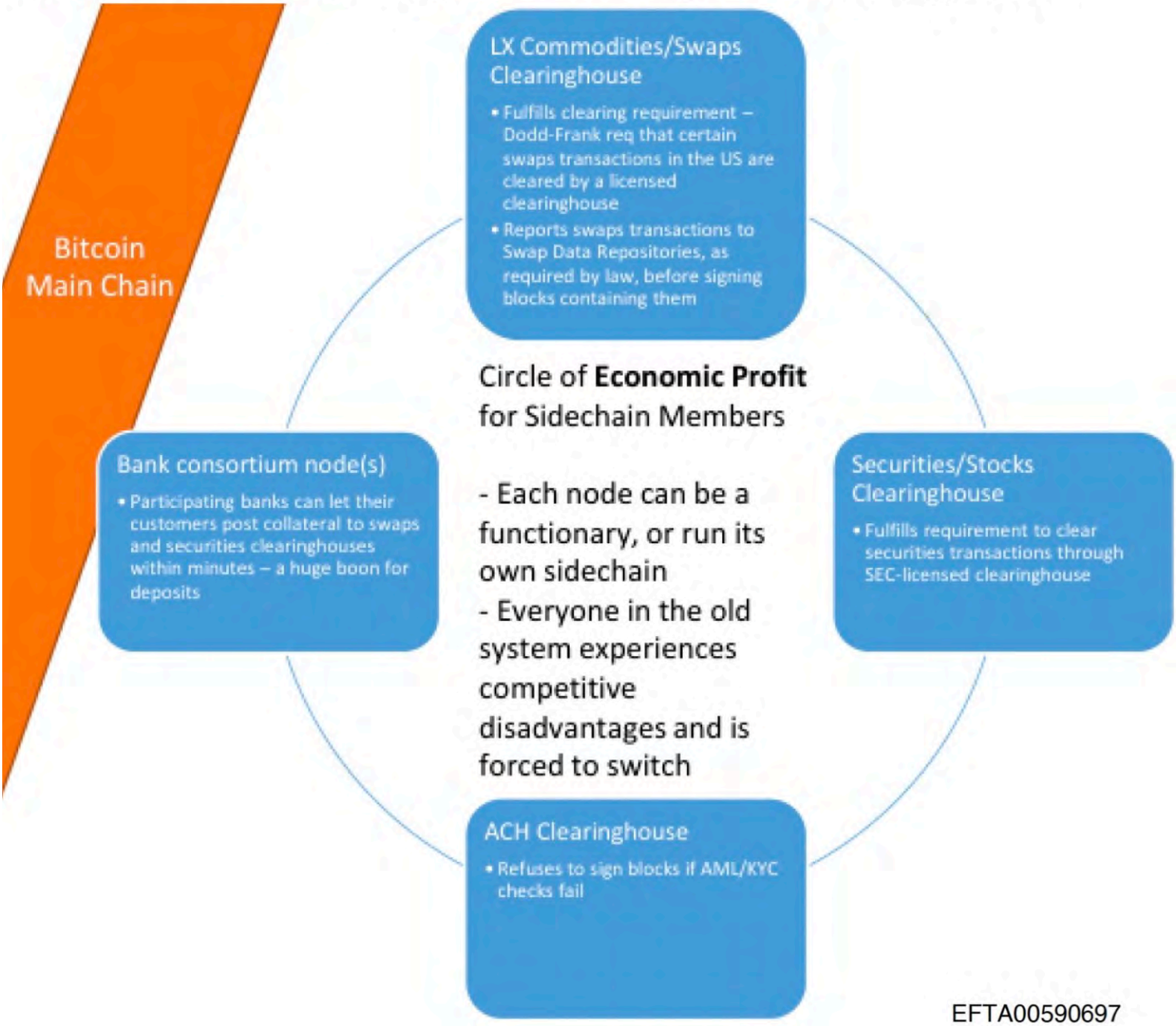
After Bitcoin + sidechains + LedgerX clearinghouse



Circle of **Economic Profit** for Sidechain Members

- Each node can be a functionary, or run its own sidechain
- Everyone in the old system experiences competitive disadvantages and is forced to switch

After Bitcoin + sidechains + LedgerX clearinghouse



Out-of-bank-hours collateral posting for reducing counterparty risk in uncleared trades

If you're a US shop and you only have access to US banks in USD. A market-moving event happens overnight in your favor. [redacted] like collateral pledged to you overnight, as opposed to beginning-of-next-business-day.



EFTA00590693

Money: Before and After

Old Money	New Money
M0: Cash in circulation	M0: Bitcoin blockchain as a settlement layer
M1-M2-M3: Commercial bank money lent via traditional ledgers	M1-M2-M3: Commercial bank obligations on top of the blockchain (via sidechains, smart contracts, etc)
Financial institutions manage cash volatility risk via CFTC-regulated FX trading	Financial institutions manage bitcoin volatility risk by trading on LedgerX's CFTC-regulated options exchange

Currencies targeting moderate inflation rates can be issued on top of the Bitcoin blockchain using sidechains technology.

CME Group — How the world advances

ICE Intercontinental Exchange

LedgerX

U.S. COMMODITY FUTURES TRADING COMMISSION

EFTA00590687



Revenue Opportunities

Derivatives is a good beachhead: There is meaningful demand on both the buy (merchant processors / consumer-facing bitcoin companies) and short (miner) side. Also, derivatives are big business: ICE acquired NYSE in 2012 for $11B, yet NYSE trading revenue (Cash / Spot Trading) is still only ~ 17% of ICE's total trading revenue. The remaining ~ 83% is from derivatives.

The long-term value is in the clearinghouse.

Short-Term	Long-Term
Trading fees (per unit of put/call options contract traded) from our beachhead market, "institutional" customers (big bitcoin corporates and miners)	Clear for other exchanges (SEFs/DCMs), especially traditional SEFs/DCMs that want to let participants post bitcoin as collateral for other assets
Clearing fees	Bloomberg Terminal for Bitcoin
Settlement fees	Offer bitcoin futures
Bitcoin volatility index (already developed) – cryptocurrency equivalent of VIX	Market making on LedgerX exchanges
License our SEF market data feed	Spot market making
	Retail derivatives exchange
	Become the next $3B/year clearinghouse for all commodities asset types, replacing CME

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Bitcoin-as-collateral use cases the LedgerX clearinghouse will implement

1. Out-of-bank-hours collateral posting for any asset

   - **Reduce counterparty risk**

2. "Collateral room" for efficient bilateral netting in uncleared trades

   - **Reduce the total number of payments**

3. Vertically integrate OTC derivatives payment processing

   - **Replace services like CLS** with bitcoin, which delivers even better settlement certainty through cryptography-enforced finality, and is much less costly to operate and integrate with than e.g. CLS

4. Realtime margining for FCM Direct Clearing Members and client clearing

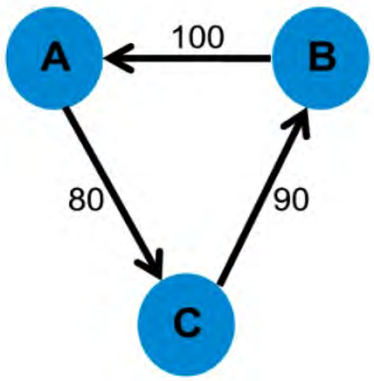
   - Use multisignature bitcoin wallets for big cost savings for FCMs providing fully segregated, LSOC client clearing
   - **Replace quad-party clearing** – multisignature wallets provide the benefits without the costs
   - Details available upon request

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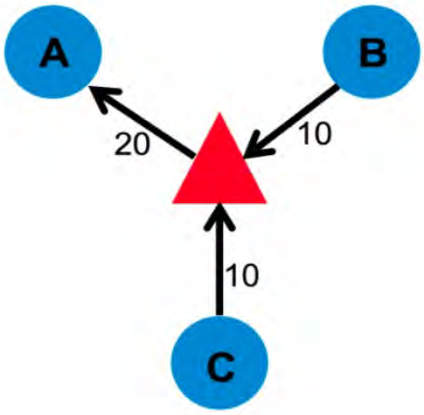
Replacing inefficient bilateral netting with Bitcoin-based escrow

Bitcoin "multisignature wallets" let multiple trading counterparties in uncleared OTC transactions put collateral in a secure "room" – then after a period of trading activity, withdraw any extra. This prevents over-collateralization, freeing up collateral for other uses.

Before, with cash wires



After, with bitcoin multisignature wallets



EFTA00590694

Facilitating the collateral use cases: Extensions on top of bitcoin

Unlike R3/DAH/Ethereum, Bitcoin extensions technology is built by the same people who have been developing and running the Bitcoin blockchain 24/7 for multiple years. These are the most capable software developers in the ecosystem. Bitcoin extensions are already live, tied to a source of value (bitcoin), and have additional regulatory certainty.

A "**sidechain**" is a private extension that can be operated by one or more financial institutions or intermediaries. The side part means that value represented on the sidechain as tokens or assets can be freely moved back and forth with the main Bitcoin blockchain, subject to pre-determined rules set by regulated entities participating in the project.

This means regulated entities like clearinghouses, FCMs and brokers can, *right now*, use bitcoin to implement custom collateral and settlement technology that follows business rules approved by risk and regulatory oversight committees.

LedgerX is the only company with both the in-depth bitcoin technical know-how and regulatory progress to quickly implement sidechains technology for collateral.

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Collateral Posting: Before and After

Before sidechains

Before Bitcoin

Clearinghouse

ACH/wire delay

Futures Commission Merchant

ACH/wire delay

Exchange participant

After Bitcoin

Another 10min, and txn amount revealed

10min, but txn amount revealed

Not OK for a $100MM trade by a major player

After sidechains + LedgerX (LX) clearinghouse

Clearinghouse

No delay because no additional transfer – clearinghouse-as-sidechain-member maintains running log of FCM collateral balances

Futures Commission Merchant

<1min; Confidential Transactions protect amounts

Exchange participant

Also, the LX clearinghouse can use issued-assets to completely revolutionize cross-margining, which involves collateralizing one type of financial contract with another.

EFTA00590696

Are US Financial Institutions Solvent? Before and After

Before Bitcoin + sidechains

????? Unclear

Currently there is no system to analyze counterparty exercise chains, cross-clearinghouse, to find the riskiest default events

Counterparty obligations

Government can't analyze cross-clearinghouse financial exposure of market participants

Without a top-down view of the riskiest default chains, individual shops (hedge funds, traders, banks) have no idea what their true exposure is

Clearinghouse

After Bitcoin + sidechains + LedgerX clearinghouse

Bitcoin Main Chain

LX clearinghouse sidechain

Legally-mandated Swap Data Repository

At the clearinghouse level, regulators rely on the legally-mandated reports containing the outstanding obligations for each market participant.

Issued-assets means clearinghouses can use these reports to construct a comprehensive picture of all outstanding obligations for any asset:

- Issued-assets for title transfer of physically-settled financial contracts
- Issued-assets for cash settlement of cash-settled financial contracts
- Bitcoin for btc-settled contracts (e.g. hashrate derivatives for miners; options on bitcoin)

If you can see all obligations, you know whether the system is solvent.

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1. DESCRIPTION OF BUSINESS

LedgerX LLC ("LedgerX" or the "Company"), a Delaware limited liability company, was organized on April 8, 2014, as a wholly owned subsidiary of its parent company, Ledger Holdings Inc. ("Ledger Holdings" or "Parent"), formerly known as NYBX Inc.

LedgerX is a trading and clearing platform that has been granted regulatory approval from the U.S. Commodity Futures Trading Commission ("CFTC") to trade and clear futures, swaps and options. LedgerX is registered with the CFTC as a Swap Execution Facility ("SEF"), Derivatives Clearing Organization ("DCO"), and Designated Contract Market ("DCM"); the Company's approvals were granted on July 6, 2017, July 24, 2017, and June 24, 2019, respectively.

On October 16, 2017, the Company commenced its principal business activities, making LedgerX the first federally regulated exchange and clearing house to list and clear fully-collateralized, physically settled Bitcoin swaps and options for the institutional market, as well as other eligible participants, including US persons in the retail market. On June 24, 2019, the Company began to list and clear fully-collateralized, physically settled Bitcoin futures. On June 30, 2021, the Company began to list and clear fully-collateralized, physically settled Ethereum swaps and options.

On May 24, 2020, through its clearinghouse, the Company executed its first Clearing Service Agreement ("CSA") with a third-party exchange that provides clearing and settlement services. LedgerX's clearing business strives to be the first stop for startup exchanges.

On October 13, 2021, Ledger Holdings was acquired by West Realm Shires Inc., the parent of West Realm Shires Services Inc. ("FTX.US"). On November 11, 2022, and November 14, 2022, FTX Trading Ltd., West Realm Shires Inc., and other affiliated entities, including Ledger Holdings, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "FTX Bankruptcy"). The Company was not included in the bankruptcy filings and continues its operations in the normal course of business.

LedgerX generates revenue primarily from transaction and clearing fees for trades executed on its exchange and contracts centrally cleared in its clearing house. On September 2, 2020, the CFTC approved an amended DCO order of registration, removing the digital assets and swaps restrictions on cleared products.

Liquidity and Going Concern

LedgerX has required significant amounts of capital to support its operations prior to the commencement of its business activities and will continue to require such amounts until the Company is able to generate a steady revenue stream from its principal activities.

Due to the nature of the Company's business, working capital is required to support the Company's legal and regulatory compliance costs, as well as its normal operating costs.

During the period from inception through October 12, 2021, the Company's operations have mostly been funded by Ledger Holdings, which raised capital primarily through private sales of equity.

On October 13, 2021, Ledger Holdings was acquired by West Realm Shires Inc., the parent of West Realm Shires Services Inc. ("FTX.US").

The Company's financial statements are prepared as though the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern, including securing additional capital and/or borrowings.

Fair Value Measurement and Fair Value of Digital Assets

LedgerX's digital assets and liabilities, including its Bitcoin and Ethereum held, are recorded at fair value at December 31, 2021. In September 2015, the CFTC determined that Bitcoin and other digital assets are commodities; as such, the Company's digital assets are held at fair value in accordance with ASC 330 – Inventory, which provides guidance for stating costs of precious metals having a fixed monetary value with no substantial cost of marketing. In accordance with ASC 820 – Fair Value Measurement, the Company determines the fair value of digital assets in U.S. dollars ("USD") on its balance sheet using the prevailing spot market price on the last day of the applicable reporting period.

To determine the principal market for a digital asset, the Company considers only digital asset exchanges that have sufficient volume and liquidity, have a U.S. presence, have an online platform, and publish transaction price and volume data continuously. The principal market must also be compliant with U.S. federal and state licensing requirements and practices regarding anti-money laundering procedures. The Company reviews and determines its principal market at least annually, or more frequently as needed.

Due to the above requirements as well as other factors, and in accordance with ASC 820 – Fair Value Measurement, the Company has chosen Gemini Exchange, LLC ("Gemini") to be the principal market for digital assets at December 31, 2021. The Company determines the fair value of digital assets, in U.S. dollars ("USD"), on its balance sheet using the prevailing spot market price provided by Gemini on the last day of the accounting period.

4. PARTICIPANT MARGIN DEPOSITS

Full-Collateralization

Generally, participant agreements require that accounts and transactions be fully-collateralized, which requires that participants post sufficient cash (USD) and/or digital asset margin deposits prior to trade execution in order to satisfy the maximum potential loss on all open positions. In addition, Participants may opt into a collateral netting system that allows a Participant's required collateral for a given option to be netted with the Participant's other options of the same type and term. In all cases, LedgerX still holds the maximum potential loss on the entire portfolio of positions.

Cash participant margin deposit balances are recorded as an asset and offsetting liability (participant margin deposits) on the statement of financial condition. Bitcoin and Ethereum margin deposits are not reflected on the financial statements, and instead are recorded off-balance sheet. Cash and digital assets held as participant margin deposits at fair value at December 31, 2021 were as follows:

Cash participant margin deposits	$70,129,953
Digital asset margin deposits	$410,653,228
Total	$480,783,181

LedgerX maintains custody of participant digital asset margin deposits on behalf of participants to support their trading portfolio. The Company has control of the participant's crypto, held at BitGo Trust on behalf of LedgerX (for cold wallets) and BitGo by LedgerX (for hot and warm wallets). Participant digital asset margin deposits are maintained in the Company's participant digital wallets and are not commingled with LedgerX's proprietary digital assets. The Company uses consolidated wallets to pool participants' digital assets but maintains a separate ledger to designate each participant's digital asset balance. At December 31, 2021, Bitcoin and Ethereum were the only two digital assets held by the Company and traded on the exchange.

5. ACH RESERVE DEPOSITS

The clearing house performs the role of central counterparty ("CCP") to each trade matched by exchanges that clear through the clearing house, including Kalshi. The original trade between a buyer and seller is novated such that the CCP steps between the initial parties to become their new substitute counterparty. In that way, the clearinghouse becomes the buyer to every seller and the seller to every buyer, thereby ensuring the future performance of all open contracts. The clearing house is able to sustain this role by having precisely equal and offsetting claims to and from participants on the opposite sides of each contract.

establishing bank accounts at other banks, and is in discussions with a number of institutions.

- On March 10, 2023, prior to the FDIC announcing all depositors would be made whole, the Company transferred all USD cash in custody at Silicon Valley Bank for [redacted]. Prior to the transfer, the Company stopped processing ACH transactions internally and transferred all ACH processing to its third-party ACH processor. [redacted]
- On March 12, 2023, the Federal Reserve Board and FDIC, under the systemic risk exception, closed Signature bank and transferred all the deposits to Signature Bridge Bank N.A., which is a full-service bank that is operated by the FDIC as it markets the institution to potential bidders. On March 19, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits of Signature Bridge Bank N.A. by Flagstar Bank N.A. ("Flagstar"), a wholly owned subsidiary of New York Community Bancorp, Inc. On March 30, 2023, the Company was notified its accounts did not transfer to Flagstar; because of this, the Company plans to transfer its remaining cash at Signature bank to new or existing banks. The Company expects to transfer the full cash balance maintained at Signature Bank.
- On March 13, 2023, LedgerX distributed $69M to West Realm Shires Inc.

Comprehensive Master Chronological Timeline

Phase 1: Foundations of Shadow Finance & Traditional Banking Loops (1981–2010)

Structural Deficiencies & Early Regulatory Friction

- **March 12, 1981: Jeffrey Epstein** resigns as a limited partner from **Bear Stearns** following an internal investigation into improper loans ($15,000) made to a friend to purchase stock. The SEC subsequently deposes him regarding his potential knowledge of a Seagrams takeover of St. Joe Minerals.
    - *Source Info:* Official SEC transcript (April 1, 1981) where Epstein confirms his resignation as a limited partner following internal firm discipline regarding improper loans and new issue distributions.
- **1993:** Epstein makes a **$10,000 donation to the White House Historical Society** during the **Clinton** administration and is documented visiting the White House 17 times between 1993 and 1995.
    - *Source Info:* House Oversight Committee depositions of Bill and Hillary Clinton establish a $10,000 gift during a Sept 1993 fundraiser where a photo was taken of the group shaking hands.
- **April 1995: Lynn Forester (now de Rothschild)** writes a note to President **Bill Clinton** mentioning they used their brief access to discuss Jeffrey Epstein and currency stabilization.
    - *Source Info:* A 1995 note introduced as Minority Exhibit C in Bill Clinton's deposition, mentioning that Forester used "15 seconds of access" to discuss Epstein and currency stabilization.
- **October 1999:** Epstein contributes **$20,000 to Hillary Clinton's** joint fundraising account for her Senate campaign.
    - *Source Info:* House Oversight Committee questioning confirms a donation to a joint fundraising committee during the 2000 election cycle, which the Clintons claimed they only learned of during deposition prep.
- **February 2001: Lesley Groff** is hired as Epstein's executive secretary, later testifying that she connected **Donald Trump** and Epstein by phone "multiple times a year" over a ten-year period.
    - *Source Info:* June 2026 transcript where Groff details her hiring process via a headhunter and her subsequent ten-year role managing Epstein's global network of high-profile contacts.
- **July 2002: Chelsea Clinton** attends the wedding of the King of Morocco, where both Epstein and **Ghislaine Maxwell** are present; flight logs show Bill Clinton traveled on Epstein's plane approximately **20 times**.
    - *Source Info:* Bill Clinton's deposition and flight logs confirming attendance at the Morocco wedding alongside Chelsea, Epstein, and Maxwell, followed by multi-country trips on Epstein's Boeing 727.



Synthetic Foundations & Strategic Advisory (The JPM Era)

- **October 8, 2003:** Internal **JPMorgan (JPM)** Private Bank briefings identify Epstein as a financial advisor to "very large clients." The bank targets revenue opportunities through **leveraged structures**, including options and **Total Return Swaps (TRS)**, to mask direct market exposure.
    - *Source Info:* Internal JPM email (Marcus Sheridan to Mary Rieth) describing Epstein as an advisor for large clients like **Les Wexner**, focusing on using TRS and options to optimize yield and obscure exposure.
- **April 20, 2004:** JPM records indicate that the relationship between Epstein and his primary client, **Leslie Wexner** (Chairman of Limited Brands), generated over **$8.5 million in revenue** for the bank in 2003 alone.
    - *Source Info:* JPM email from Mary Rieth highlighting revenue generated by the Epstein/Wexner relationship through strategic derivative investments and Darren Indyke's role in legal documentation.
- **July 16, 2008:** JPM executive **Jes Staley** consults Epstein regarding his annual **bonus negotiation with CEO Jamie Dimon**, with Epstein suggesting a $25 million target.
    - *Source Info:* Court-released email (Document 191-4, Exhibit 4) where Staley discusses his JPM bonus target with Epstein, who recommends the use of options to bypass restrictions.
- **December 11–12, 2008:** Following the collapse of **Bernie Madoff's** Ponzi scheme, JPM Asset Management CEO **Mary Erdoes** prompts Jes Staley to "call JE [Epstein] to get scoop from down there," noting that hundreds of JPM clients (including Carl Shapiro) had billion-dollar exposures.
    - *Source Info:* JPM email chain where Asset Management CEO Mary Erdoes, assessing Madoff exposure, instructs Staley to call Epstein in Florida for "scoop" on the unfolding scandal.
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- **August 17, 2009:** Literary agent John Brockman emails Epstein describing **Peter Thiel's** libertarian philosophy as viewing democracy as a "failed experiment."
    - *Source Info:* Email provided in DOJ records describing Thiel's libertarian operational philosophy and rejection of "unacceptable compromise" or traditional democratic frameworks.
- **March 9, 2010:** Epstein is officially set up on JPM's **Global Investment Opportunities (GIO) desk** with an **ISDA agreement**, allowing him to execute complex **derivatives**.
    - *Source Info:* JPM Private Bank email (Mary Casey to Staley) confirming the execution of an ISDA agreement for complex derivatives trading and assignment to the GIO desk.



- **August 24, 2010:** JPM Managing Director Paul Barrett advises Epstein to unwind a **$20 million 30-year swap exposure** due to economic risks. Epstein sharply criticizes the firm, calling their recommendations a "disaster."
    - *Source Info:* Email exchange between JPM Managing Director Paul Barrett and Epstein regarding the unwinding of a $20 million swap position due to "hard landing" risks.

Phase 2: Institutional Engineering & "Project Molecule" (2011–2013)

The "Super DAF" Nexus

- **January 31, 2011: Bill Gates** meets Epstein for the first time at Epstein's New York home. Gates later emails colleagues calling Epstein's lifestyle "intriguing."
    - *Source Info:* Bill Gates' 2026 Transcribed Interview describing a first dinner meeting arranged by **Boris Nikolic** and follow-up email characterization of Epstein's intellectual circle.
- **February 5, 2011:** Former Treasury Secretary **Larry Summers** (initial "L") asks Epstein: "What is real story on madoff? Shouldn't jpm have known better?"
    - *Source Info:* Email forwarded by Epstein to Staley where Summers questions JPM's oversight regarding **Bernie Madoff** and notes interest in the Gates relationship.
- **February 6, 2011:** Epstein pitches **"Project Molecule"** (or Project Nucleus) to Jes Staley, proposing a **"Super Donor Advised Fund" (DAF)** intended to reach **$100 billion** in assets. The fund was designed to ingest **"funky assets"** like art and closely held stock.
    - *Source Info:* Internal JPM email from Epstein to Jes Staley proposing a massive DAF to ingest illiquid "funky assets" like art and closely held stocks to manage hyper-rich wealth.
- **August 22, 2011:** An internal **Gates Foundation memo** acknowledges Epstein is the "broker" connecting Gates and JPM but highlights his "unseemly reputation due to a criminal conviction." The memo notes the project had the **backing of Jamie Dimon**.
    - *Source Info:* Internal Foundation briefing (Jennifer Alcorn/Julie Sunderland) acknowledging Epstein as the link between Bill Gates and Staley, but stressing the need for "firewalls".
- **May 12, 2012:** Epstein advises **Leon Black** on the purchase of the artwork "The Scream" for nearly $120 million, demanding JPM provide structural trust solutions.
    - *Source Info:* USVI v. JPMC exhibit (Document 230-25) where Epstein provides structural trust solutions for Black's $120 million art acquisition via specialized JPM accounts.
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      https://www.justice.gov/epstein/files/DataSet%2010/EFTA02164172.pdf
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- **December 23, 2012: Howard Lutnick** (CEO of Cantor Fitzgerald) and his family visit Epstein's island, Little Saint James, for lunch.
    - *Source Info:* Howard Lutnick's transcribed interview confirming a brief, one-hour holiday lunch visit to Little Saint James island with 15 other people.
- **July 18, 2013:** Deposition records confirm Epstein facilitated financial introductions between **Bill Gates, Leon Black, and Boris Nikolic**.
    - *Source Info:* Legal deposition establishing Epstein's role in facilitating financial and social relationships between Gates, Leon Black, and Nikolic for advisory purposes.

Phase 3: The Pivot to Crypto Infrastructure & Synthetic Equities (2014–2021)

The "Funnel" to Digital Networks

- **September 2014: Crypto Currency Partners II (CCP II)**, involving **Tether** co-founder **Brock Pierce**, establishes **Silicon Valley Bank (SVB)** as its primary bank and Merrill Lynch as its custodian.
    - *Source Info:* Crypto Currency Partners II internal records identifying Silicon Valley Bank as its primary financial institution and funnel for digital investments.
- **December 1, 2014:** Brock Pierce invites Epstein to invest in a **$60 million Series C round for Coinbase** (alongside a16z and Ribbit Capital).
    - *Source Info:* Email from Brock Pierce (Co-founder of Tether) to Epstein regarding a $60 million financing round for **Coinbase** involving bank venture arms and a16z.
- **December 3, 2014:** Pierce sends legal documents to Epstein for "Crypto Currency Partners II, LLC," explicitly describing it as a vehicle to **"funnel your investments through."**
    - *Source Info:* Internal email from Pierce to Epstein providing documents for an LLC designed explicitly to "funnel" private investments into the emerging **crypto** ecosystem.
- **January 27, 2015:** Epstein's Southern Financial LLC suffers heavy losses on a **Total Return Swap on Twitter (TWTR)** stock package.
    - *Source Info:* JPM execution details for a TRS and short European Call options package on Twitter stock managed for Epstein's Southern Financial LLC.
- **February 11, 2015: Peter Thiel-linked Valar Global Fund II LP** issues a $900,000 capital call to Epstein, with funds directed to **Silicon Valley Bank**.
    - *Source Info:* Department of Justice records showing Valar Ventures issuing capital calls to Epstein's Southern Trust Company via Silicon Valley Bank.



- **October 2015: LedgerX** identifies its institutional partners, including **Soros Fund Management**, Goldman Sachs, and BNY Mellon, while listing **Circle** and **Coinbase** as Bitcoin partners.
    - *Source Info:* LedgerX corporate documents listing **Soros**, Goldman Sachs, and Coinbase as Bitcoin partners in their derivatives clearing approach.
- **March 26, 2016:** Jeremy Rubin introduces Epstein to **LedgerX**. Epstein dismisses the initial deck as "a deck for the newspapers" and demands a business plan with actual numbers.
    - *Source Info:* Email from Epstein to Jeremy Rubin dismissing the LedgerX pitch deck as "fluffy" and demanding an actual monetization path with hard data.
- **2017–2018: Bill Gates** opens a massive **unhedged short position against Tesla (TSLA)** targeting ~1% of outstanding shares (approx. $500 million).
    - *Source Info:* Multiple social media archives and internal summaries detailing Gates' unhedged $500 million short position against **Tesla** and Musk's subsequent reaction.
- **January 29, 2018:** Epstein's attorney Darren Indyke communicates an offer to sell **50% of Epstein's Coinbase position** for $11 million.
    - *Source Info:* Department of Justice Jeffrey Epstein documents shows a proposed $11 million sale of 50% of his **Coinbase** position as the platform scaled.
- **October 2020: FTX partners with CM-Equity** to launch **"Tokenized Stocks"** (Tesla, Apple, Amazon), allowing 24/7 offshore trading of synthetic U.S. equities.
    - *Source Info:* Framework Purchase Agreement between **FTX** and CM-Equity for collateralizing synthetic **tokenized stocks** for customer trading.
- **October 2021: LedgerX is acquired** by West Realm Shires Inc. (**FTX.US**).
    - *Source Info:* LedgerX financial statements confirming its 2021 acquisition by the FTX group and its subsequent regulatory trajectory.

Phase 4: Contagion and the "Sextillion" Dollar Reckoning (2022–2026)

Systemic Collapse & Shadow Banking Vulnerabilities

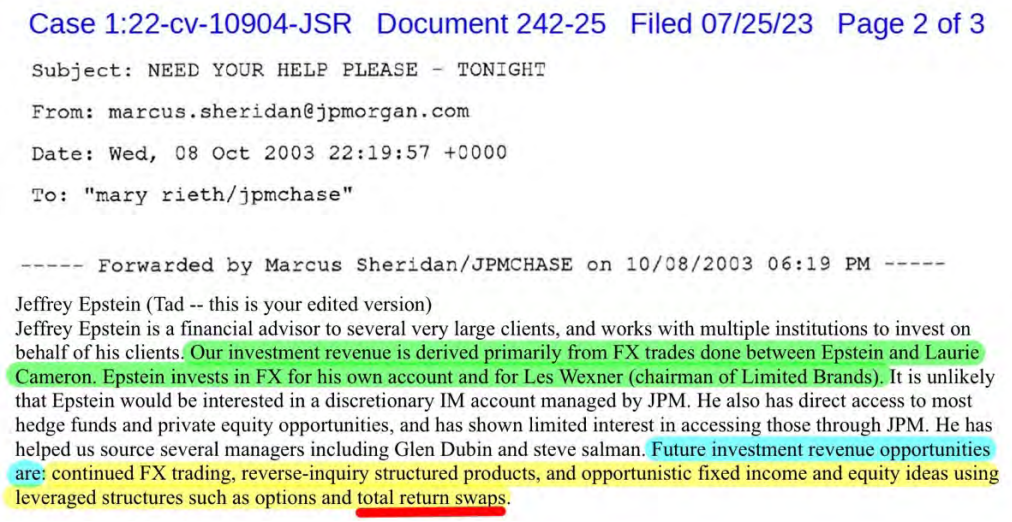
- **April 2022: Elon Musk** confronts Bill Gates over his $500 million short position against Tesla, which Musk estimates has yielded **over $10 billion in losses**.
    - *Source Info:* Social media records documenting Musk's claims that Gates' Tesla short position resulted in a hypocritical $10 billion loss for the philanthropist.
- **November 8–11, 2022: FTX** experiences an $8 billion liquidity crisis. Ryne Miller (former **Sullivan & Cromwell** partner) wires **$4 million to S&C** using customer cash to secure their role as lead counsel.
    - *Source Info:* Internal chat logs and bankruptcy filings showing former Sullivan & Cromwell partner Ryne Miller wiring $4 million in customer cash to his old firm during the crisis.



- **November 2022:** Internal chats reveal **Sam Bankman-Fried** coordinating which lenders to repay, stating he **"would prefer not to do it for BlockFi yet"** to hide debt levels.
    - *Source Info:* Federal criminal trial exhibit (United States v. Samuel Bankman-Fried) showing chats between SBF and Caroline Ellison regarding selective **BlockFi** repayment.
- **January 2023: Silvergate Bank** collapses after failing to monitor over $1 trillion in transactions, including suspicious transfers related to FTX.
    - *Source Info:* Financial Register reports detail the bank's failure to monitor massive volumes of suspect transactions related to the digital asset ecosystem.
- **March 9–10, 2023:** Peter Thiel's Founders Fund advises portfolio companies to withdraw all capital from **Silicon Valley Bank (SVB)**, triggering a **$42 billion bank run**. **Circle (USDC)** is revealed as the largest depositor at SVB with **$3.3 billion** in reserves.
    - *Source Info:* Bloomberg reports and account disclosures detailing how Founders Fund (**Thiel**) triggered a withdrawal and **Circle (USDC)** was exposed as the largest depositor.
- **March 10, 2023:** Mid-crisis, **LedgerX** halts internal ACH transactions and successfully evacuates its USD cash assets from SVB prior to the FDIC shutdown.
    - *Source Info:* LedgerX financial notes describing the emergency halt of ACH transactions and successful withdrawal of cash from SVB prior to the shutdown.
- **June 10, 2026:** Bill Gates testifies that Jeffrey Epstein attempted to **leverage awareness of Gates' infidelity** to force an ongoing financial advisory relationship.
    - *Source Info:* Transcribed testimony from William Henry Gates III describing Epstein's attempts to use knowledge of extramarital affairs to force a financial relationship via **Boris Nikolic**. https://www.justice.gov/epstein/files/DataSet%2010/EFTA01967528.pdf

The JPM, Epstein, and Madoff Era (2003–2011)

- **October 8, 2003:** JPM's Marcus Sheridan notes that Jeffrey Epstein acts as a financial advisor to very large clients, primarily generating foreign exchange (FX) trading revenue for JPM alongside Leslie Wexner. Epstein acts as a source for manager introductions, including Glen Dubin and Steve Cohen (noted as "steve salman").



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Subject: NEED YOUR HELP PLEASE - TONIGHT

From: marcus.sheridan@jpmorgan.com

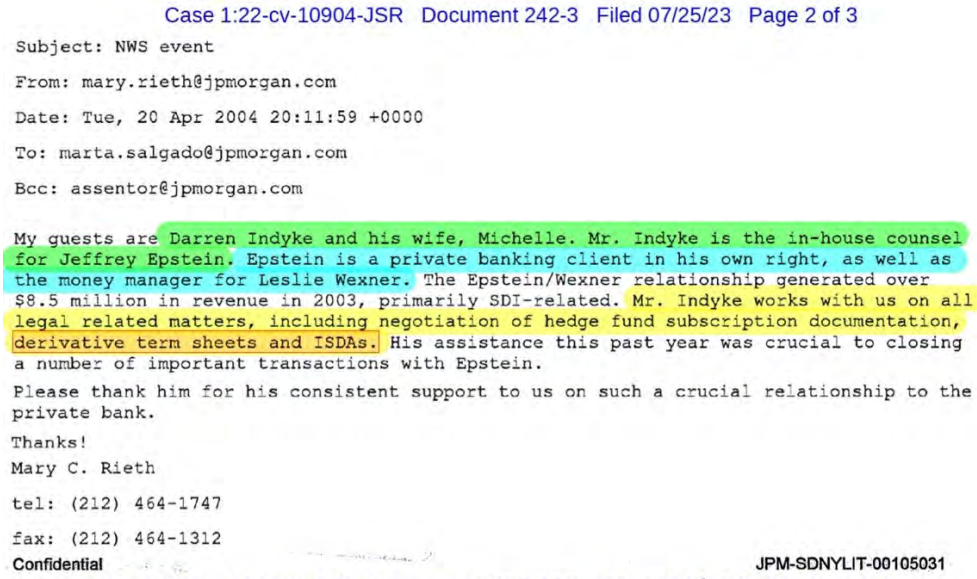
Date: Wed, 08 Oct 2003 22:19:57 +0000

To: "mary rieth/jpmchase"

----- Forwarded by Marcus Sheridan/JPMCHASE on 10/08/2003 06:19 PM -----

Jeffrey Epstein (Tad -- this is your edited version)
Jeffrey Epstein is a financial advisor to several very large clients, and works with multiple institutions to invest on behalf of his clients. Our investment revenue is derived primarily from FX trades done between Epstein and Laurie Cameron. Epstein invests in FX for his own account and for Les Wexner (chairman of Limited Brands). It is unlikely that Epstein would be interested in a discretionary IM account managed by JPM. He also has direct access to most hedge funds and private equity opportunities, and has shown limited interest in accessing those through JPM. He has helped us source several managers including Glen Dubin and steve salman. Future investment revenue opportunities are: continued FX trading, reverse-inquiry structured products, and opportunistic fixed income and equity ideas using leveraged structures such as options and total return swaps.

- **April 20, 2004:** JPM's Mary C. Rieth hosts Darren Indyke (Epstein's in-house counsel) and notes that the Epstein/Wexner relationship generated over $8.5 million in revenue for JPM in 2003.



Case 1:22-cv-10904-JSR Document 242-3 Filed 07/25/23 Page 2 of 3

Subject: NWS event

From: mary.rieth@jpmorgan.com

Date: Tue, 20 Apr 2004 20:11:59 +0000

To: marta.salgado@jpmorgan.com

Bcc: assentor@jpmorgan.com

My guests are Darren Indyke and his wife, Michelle. Mr. Indyke is the in-house counsel for Jeffrey Epstein. Epstein is a private banking client in his own right, as well as the money manager for Leslie Wexner. The Epstein/Wexner relationship generated over $8.5 million in revenue in 2003, primarily SDI-related. Mr. Indyke works with us on all legal related matters, including negotiation of hedge fund subscription documentation, derivative term sheets and ISDAs. His assistance this past year was crucial to closing a number of important transactions with Epstein.

Please thank him for his consistent support to us on such a crucial relationship to the private bank.

Thanks!

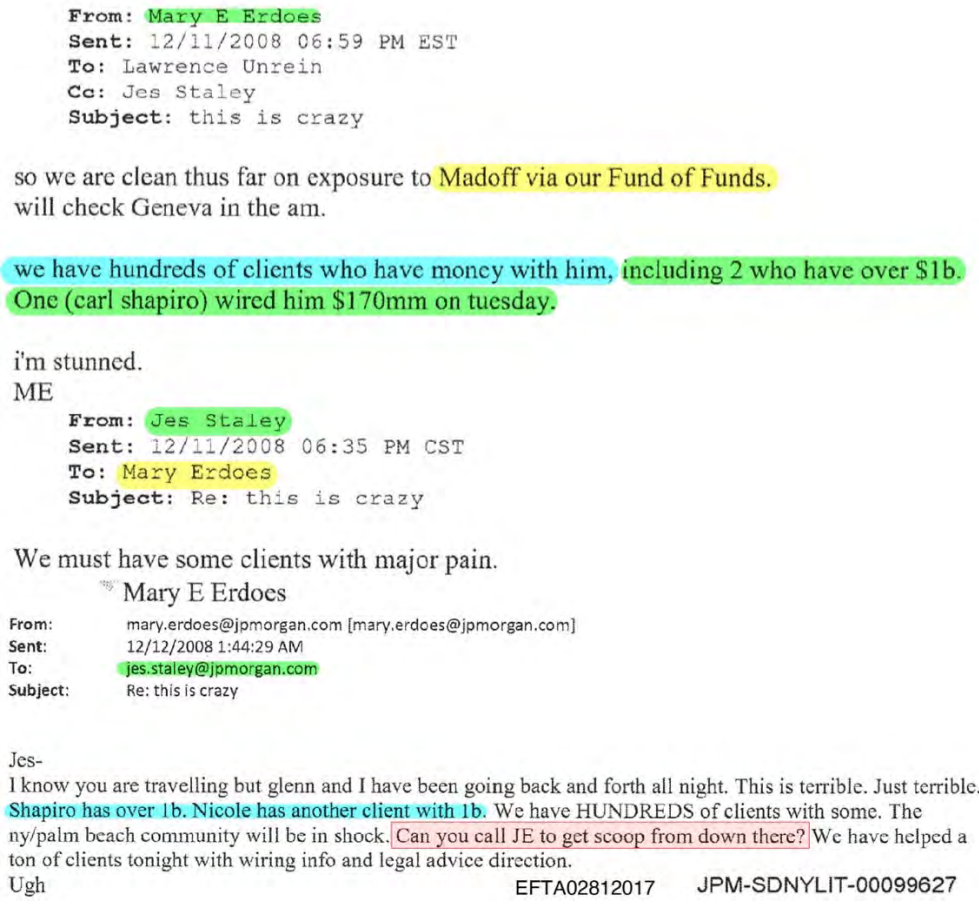
Mary C. Rieth

tel: (212) 464-1747

fax: (212) 464-1312

Confidential JPM-SDNYLIT-00105031

- **December 11–12, 2008:** Following the collapse of the Madoff Ponzi scheme, JPM Asset Management CEO Mary Erdoes texts Jes Staley stating JPM is "clean thus far" via its Fund of Funds, but notes "hundreds of clients who have money with him," including Carl Shapiro (who had over $1 billion with Madoff). Erdoes prompts Staley to "call JE [Jeffrey Epstein] to get scoop from down there."



From: Mary E Erdoes
Sent: 12/11/2008 06:59 PM EST
To: Lawrence Unrein
Cc: Jes Staley
Subject: this is crazy

so we are clean thus far on exposure to Madoff via our Fund of Funds.
will check Geneva in the am.

we have hundreds of clients who have money with him, including 2 who have over $1b.
One (carl shapiro) wired him $170mm on tuesday.

i'm stunned.
ME

From: Jes Staley
Sent: 12/11/2008 06:35 PM CST
To: Mary Erdoes
Subject: Re: this is crazy

We must have some clients with major pain.

Mary E Erdoes

From: mary.erdoes@jpmorgan.com [mary.erdoes@jpmorgan.com]
Sent: 12/12/2008 1:44:29 AM
To: jes.staley@jpmorgan.com
Subject: Re: this is crazy

Jes-
I know you are travelling but glenn and I have been going back and forth all night. This is terrible. Just terrible. Shapiro has over 1b. Nicole has another client with 1b. We have HUNDREDS of clients with some. The ny/palm beach community will be in shock. Can you call JE to get scoop from down there? We have helped a ton of clients tonight with wiring info and legal advice direction.
Ugh

EFTA02812017 JPM-SDNYLIT-00099627

- **July 28, 2009:** Author Ed Epstein and Peggy Siegal exchange emails regarding how Bernie Madoff's computer programs falsified thousands of options trades across main hedge funds to manipulate paper wealth. Siegal forwards the breakdown to Jeffrey Epstein.

From: "Peggy Siegal" <[redacted]> EFTA00773096
To: "[redacted]" <[redacted]>
Subject: Bernie Madoff
Date: Tue, 28 Jul 2009 16:12:56 +0000

Ed-
Why a simple computer program couldn't have been responsible.. it would include random generator, the cusip numbers are easy as they are attached to the security, they should be looking for an accounting programmer.

Did you ask for a demonstration of how a system would work, and then just plug it in?
xoxo Peggy Siegal

From: Ed Epstein [redacted]
To: Peggy Siegal
Sent: Tue Jul 28 15:03:36 2009
Subject: re: Bernie Madoff

Yes that would work in dividing same trades over many accords, but his 7 main hedge funds had different rules, so he bought and sold different options in these different accounts, which on paper had $40 billion. So you are talking about a lot of paperworks done every day. Maybe 3 to 5 thousand trades a day. Buy you are right, once they were entered the computer could find the CUSIP number
Regards
Ed
www.edwardjayepstein.com

To: jeevacation@gmail.com[jeevacation@gmail.com]
From: Peggy Siegal
Sent: Tue 7/28/2009 7:16:40 PM
Subject: Fw: Bernie Madoff

Title: Fw: Bernie Madoff

EFTA_R1_01514969
Here is your answer...peg EFTA02440838

- **March 9, 2010:** Mary Casey (Managing Director, J.P. Morgan Private Bank) informs Jes Staley that Jeffrey Epstein is officially set up on the Global Investment Opportunities (GIO) desk with an ISDA agreement, co-covered by Paul Barrett and Jeff Matusow.

From: Mary C Casey [mary.c.casey@jpmorgan.com]
Sent: 3/9/2010 12:47:05 PM
To: Jes Staley [jes.staley@jpmorgan.com]
CC: Rosa M da Silva [rosa.m.dasilva@jpmorgan.com]; Paul V Morris [paul.v.morris@jpmorgan.com]
Subject: Jeffrey Epstein

Jes -- just a quick note to let you know that Jeffrey is now set up for business in the Private Bank (incl w/ an ISDA) on the GIO desk. Paul Barrett and Jeff Matusow are co-covering him on the GIO desk and Paul Morris will be his banker. Paul is a former investment banker from Barclays who joined our team last year. I'll make sure you get to meet him soon. So Jeffrey is well covered and hopefully the relationship will grow from here. We'll keep you posted.
Thanks.
Mary

Mary Casey, Managing Director, J.P. Morgan Private Bank
270 Park Avenue, New York, NY 10017
tel: (212) 464-0374; fax (212) 464-1311
mary.c.casey@jpmorgan.com

- **August 24, 2010:** JPM's Paul Barrett advises Epstein to unwind a remaining $20 million exposure in 30-year swap markets due to worsening economic indicators. Epstein sharply replies that so far, JPM's recommendations "are a disater [sic]."

From: Jeffrey Epstein [mailto:[redacted]]
Sent: Tuesday, August 24, 2010 4:25 PM
To: Paul S Barrett
Cc: Jes Staley
Subject: Re: 30yr swaps

yen? ,, so far jpm recomendations. are a disater

On Tue, Aug 24, 2010 at 4:19 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:
ok

On Tue, Aug 24, 2010 at 3:44 PM, Paul S Barrett <[redacted]> wrote:
Jeffrey

Left you a message.

We should unwind the remainder of our 30yr swap exposure. Between the jobless claims and housing data the risk has substantially grown for a hard landing which would drive interest rates lower.

We have 10MM of an outright swap and 10MM of a receiver swaption (4.35% strike)

Let me know.

Paul

Paul Barrett, CFA
Managing Director
Global Investment Opportunities Group
JPMorgan Private Bank

- **January 7, 2011:** Academic Dan Ariely emails Jeffrey Epstein asking for an introduction to Bernie Madoff (or someone close to him) to assist with his scientific research on human dishonesty.

From: Dan Ariely [redacted]
Sent: Friday, January 7, 2011 8:03 PM
To: Jeffrey Epstein
Subject: help with Madoff?

EFTA_R1_00097016
EFTA01779542

Dear Jeffrey,

I hope all is well

I remember that you told me that you have some contacts with Madoff I =m very interested in talking to him, relating to my research on =ishonesty.

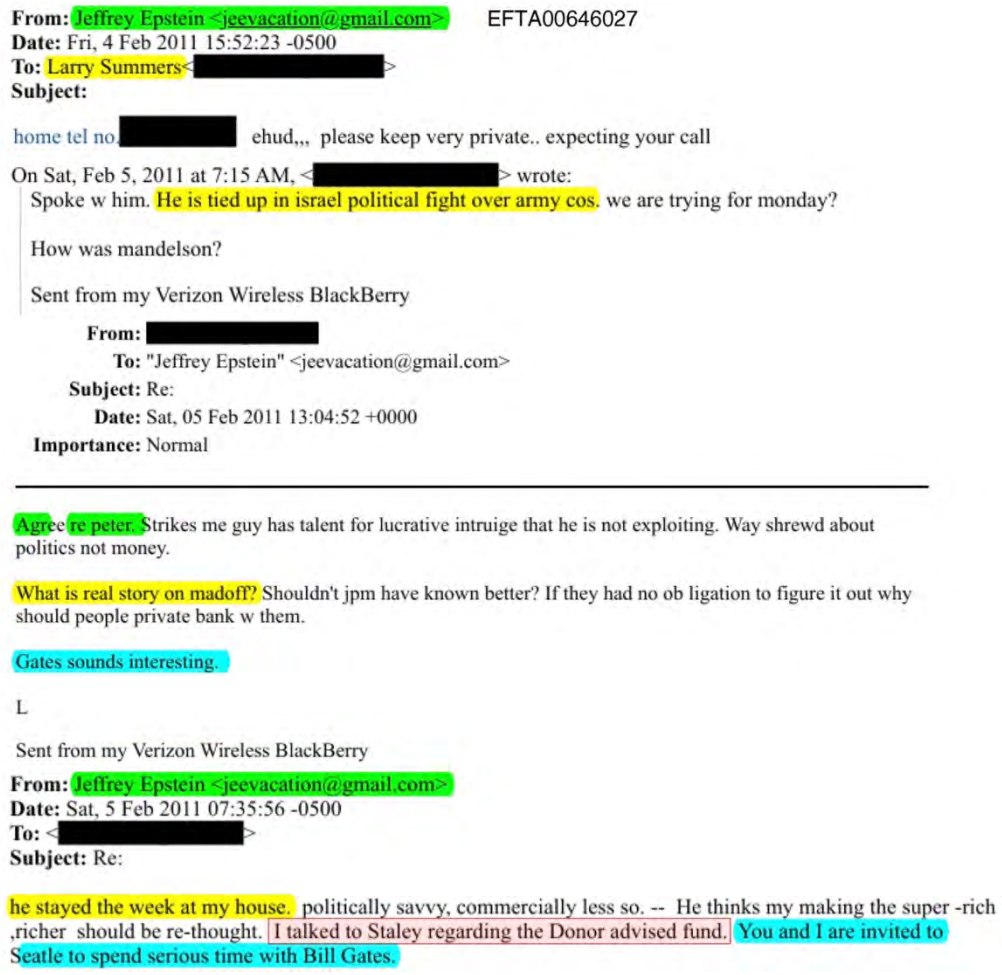
Do you think you can put me in touch with him or with someone close to =im?

And thanks again for a fun evening a while back

Irrationally yours

Dan

- **February 4–5, 2011:** Epstein coordinates a private call with Larry Summers regarding Israeli political conflicts. Simultaneously, Summers (under the initial "L") asks Epstein: *"What is real story on madoff? Shouldn't jpm have known better?"* Epstein also mentions to Jes Staley that he has spoken with Bill Gates about traveling to Seattle to pitch a massive Donor Advised Fund (DAF).



From: Jeffrey Epstein <jeevacation@gmail.com> EFTA00646027
Date: Fri, 4 Feb 2011 15:52:23 -0500
To: Larry Summers<[redacted]>
Subject:

home tel no.[redacted] ehud,,, please keep very private.. expecting your call

On Sat, Feb 5, 2011 at 7:15 AM, <[redacted]> wrote:

Spoke w him. He is tied up in israel political fight over army cos. we are trying for monday?

How was mandelson?

Sent from my Verizon Wireless BlackBerry

From: [redacted]
To: "Jeffrey Epstein" <jeevacation@gmail.com>
Subject: Re:
Date: Sat, 05 Feb 2011 13:04:52 +0000
Importance: Normal

Agree re peter. Strikes me guy has talent for lucrative intruige that he is not exploiting. Way shrewd about politics not money.

What is real story on madoff? Shouldn't jpm have known better? If they had no ob ligation to figure it out why should people private bank w them.

Gates sounds interesting.

L

Sent from my Verizon Wireless BlackBerry

From: Jeffrey Epstein <jeevacation@gmail.com>
Date: Sat, 5 Feb 2011 07:35:56 -0500
To: <[redacted]>
Subject: Re:

he stayed the week at my house. politically savvy, commercially less so. -- He thinks my making the super -rich ,richer should be re-thought. I talked to Staley regarding the Donor advised fund. You and I are invited to Seatle to spend serious time with Bill Gates.

- **February 6, 2011:** Epstein outlines a structural plan to Jes Staley for a DAF that could reach $100 billion in two years by utilizing high-profile boards, farming investments to Highbridge Capital, and allowing the integration of "funky assets" like art and closely held stock.

Date: Sunday, February 6 2011 12:10 PM
From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley <jes.staley@jpmorgan.com>; ESTATE_JPM001591

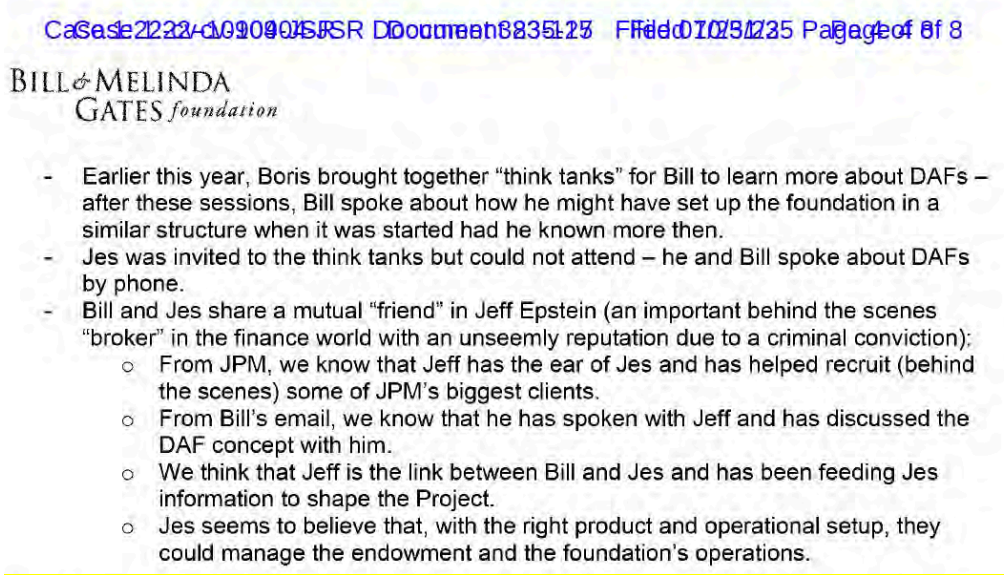
donor advised fund. :/ 1. you could tie it initally just to the gates program,, miinimum gift. 100 million. it could then be opend up later. IT will be the largest foundation in the world. You need an advisroy board for 1, investments. 2. distributions. . you will need an amministration , mirroring a mutual fund. 4. tax compiance dept. dedicated to the operation. IT will underpin a trust and estate . dept , the size of which will be enormous, 5. I would suggest , an irs auditor full time on site. 6, as a DAF , you will be able to take in funky assets. (sub s, closely held c's , Art,) valuation services. . sale and mgmt of 144 stock_). done right its 100 billion dollars in 2 years. thetension is making money from a Charitable Org. therefore the money making parts need to be arms length . salaries are disclosable ,and closely watched . Farming the investments to a highbridge is no brainer , but must be done with airtight opinions and reviewed by committees. I thought of University Heads. Foundation Chairs,for the boarrds It will be the most sort after board in the country.

- **August 10, 2011:** Epstein pushes Staley and Erdoes to design a polished presentation for a meeting with "Dick" (Richard Henriques of the Gates Foundation) regarding the exclusive DAF structure.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley [redacted]>; Erdoes, Mary E
Sent: Wed Aug 10 04:19:42 2011
Subject: gates DAF

for the meeting with Dick , we should have a complete presentation,. IT needs to address how it enhances current giving by GF . vaccines, matemal care,, These should be two of the donor silos. . IT should have a structure, that for example purposes only, has , the best investors in the role of advisors. (we should decide whether being on the investment commmitee, automatially disqualifies an investment in ones particular fund , for example if LEon sat on the advisory board, should there be no apollo investments. (legal issue as well as optical).. JPM acts as fiduciary in every capacity,,It should deal with hard to value assets.. appreciated real estate. , (a real estate group, should be available). valuation firms, trust and estate experts. . The web based, investor access to information , could set an example for simple user interface. click or touch an investment silo to retrieve all relevant data, in many forms. This will be very HIGH profile. I propose a minimum of 100 million donation . It will be the most exclusive of clubs, In addition , though membersip in the "club"could be known . the gifts can be given anonymously. This will fulfill the wishes of many that have spoken to bill about wanting to do things but not wanting the publicity. For example funding Gay, Aids, Jewish, orgs, that otherwise might bring unwanted attention to the giver by both the press and its competing groups. For example, If someone wants to give money to a program that in any way competes with their self or perceived image. Another school. , program etc. many have expressed reservations that giving publicily woudl send a complex message to those institutions that have already close relations with the donor.

- **August 22, 2011:** The Bill & Melinda Gates Foundation drafts an internal briefing memo ahead of a meeting with JPM. The authors (Jennifer Alcorn and Julie Sunderland) explicitly note that Jeffrey Epstein is acting as a behind-the-scenes broker connecting Gates and Staley, but highlight Epstein's "unseemly reputation due to a criminal conviction" and state that the Giving Pledge must remain entirely separate and firewalled from JPM's product pitches.



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BILL & MELINDA GATES *foundation*

- Earlier this year, Boris brought together "think tanks" for Bill to learn more about DAFs – after these sessions, Bill spoke about how he might have set up the foundation in a similar structure when it was started had he known more then.
- Jes was invited to the think tanks but could not attend – he and Bill spoke about DAFs by phone.
- Bill and Jes share a mutual "friend" in Jeff Epstein (an important behind the scenes "broker" in the finance world with an unseemly reputation due to a criminal conviction):
  - From JPM, we know that Jeff has the ear of Jes and has helped recruit (behind the scenes) some of JPM's biggest clients.
  - From Bill's email, we know that he has spoken with Jeff and has discussed the DAF concept with him.
  - We think that Jeff is the link between Bill and Jes and has been feeding Jes information to shape the Project.
  - Jes seems to believe that, with the right product and operational setup, they could manage the endowment and the foundation's operations.

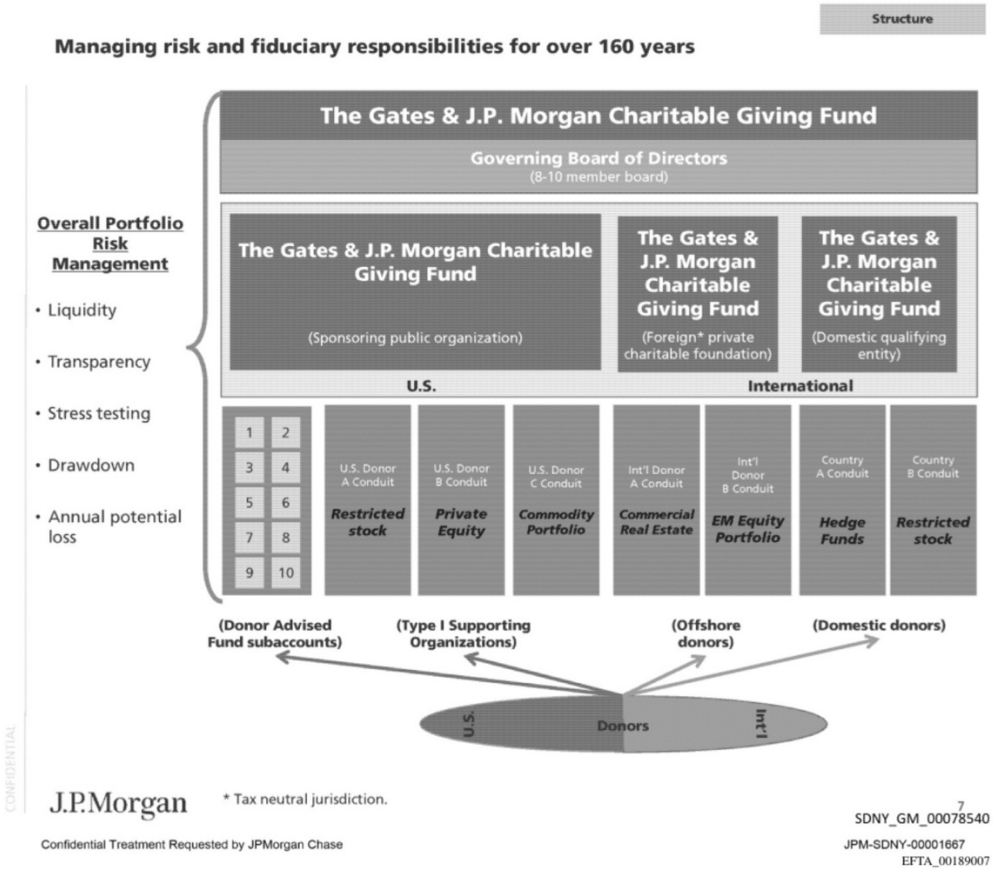
- **August 26, 2011:** Epstein writes to Staley and Erdoes, stating he likes to "cook [opportunities] slowly" before handing them over to JPM, proposing further wealth-management collaborations via entities linked to Tom Pritzker.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley <jesstaley1@gmail.com>;Erdoes, Mary E" <mary.erdoes@jpmorgan.com>
Sent: 8/26/2011 10:13:53 AM
Subject:

I am more than happy to meet with anyone you think moves this along .. cutler. jamie. . etc.. As mary said it need to be PROPER. please consider , there are four major areas of huge opportunity for some mutually satisfactory arrangement. Gates and his entourage (facebook, spotify (parker). Middle East. Africa, China. THe common thread is they all want private advice. . The opportunities like the DAf idea , originates with me, i cook it slowly, adding various ingredients almost fully cook it. and then want to turn it over to you . As I said to mary , if Tom Pritsker established an investment bank and I did most things with tom, could that be a beginning of a solution. ?

Confidential JPM-SDNYLIT-00016924

- **August 31, 2011:** Gates Foundation representatives (Dick Henriques, Connie Collingsworth) meet with JPM executives at 270 Park Avenue to review "Project Molecule," structured formally as "The Gates & J.P. Morgan Charitable Giving Fund" presentation.



Shift to Crypto and Structured Assets (2012–2016)

- **December 2012:** Larry Cohen (bgC3 LLC) coordinates a draft letter of understanding with Boris Nikolic to form a new health/bioscience and technology investment entity funded by Bill Gates (initially dubbed "bgC4").

December ___, 2012 **CONFIDENTIAL**

Mr. Larry Cohen, Manager
Business Operations
bgC3 LLC

RE: Letter of Understanding Regarding New Investment Entity

Dear Larry:

This letter sets forth certain general understandings by and between bgC3 LLC ("**bgC3**") and Boris Nikolic ("**BN**"). BN has previously entered into an Employment Agreement with bgC3. This letter does is not intended to alter the terms of that Employment Agreement, including without limitation the "at will" and "confidentiality" provisions of the Employment Agreement.

Company Formation — The parties anticipate the formation of a corporation:

bgC3 or an affiliate of bgC3 will form and provide all necessary funding for a separate corporation ("bgC4") that will be organized as a Washington corporation

- ~~The parties anticipate that bgC3 or an affiliate of bgC3 will form a separate company (the "**Company**"), structured as a Washington~~ wholly owned and ultimately ~~or~~ controlled by William H. Gates III (the "**Owner**"), the sole purpose of which will be to evaluate, make, and manage investments in Opportunities (as hereinafter defined) in third-party entities as deemed appropriate by Owner in his sole discretion.

EFTA00583852

~~[what office shall BN hold in the Company?]~~

BN Activities — BN will be responsible for the following:

- Sourcing and presenting to bgC4, as BN in his discretion may select, potential investment opportunities in bioscience and health-related industries, which may from time to time include investment opportunities in the technology sector (collectively, "**Opportunities**"), at a target rate of (but not limited to) three Opportunities per calendar year;
- Conducting due diligence on ~~Ensuring that~~ all Opportunities presented to bgC4 to determine that the Opportunities involve investments in bona fide third parties having no affiliation or conflict of interest with bgC3, the Owner, or any of their respective affiliates or existing investment relationships (including, without limitation, "BGI," the Bill and Melinda Gates Foundation, Cascade Investment, L.L.C., Intellectual Ventures LLC, Gates Ventures, LLC, and Microsoft Corporation); and
- Conducting scientific and operational due diligence as BN determines in his sole discretion to be appropriate on all Opportunities.

Activities of bgC3 — bgC3 (or another appropriate affiliate of the Owner) will be responsible for the following:

- Evaluating such Opportunities as the Owner determines, in his sole discretion, to be appropriate;

EFTA00583853

- **September 2013:** John R. Duffy (CEO, U.S. Private Bank) notifies Mary Erdoes that he firmly denied Epstein's requests to act as a sole trustee or power of attorney on accounts. He notes Epstein raised a "tough one" regarding an asset structure that would name Gates, Epstein, and JPM as co-trustees.

From: Duffy, John R [john.r.duffy@jpmorgan.com]
Sent: 9/20/2013 9:20:48 PM
To: Erdoes, Mary E [mary.erdoes@jpmorgan.com]
Subject: JE

Spoke with him. Good conversation. Told JE no on sole trustee or POA, yes for advisory role without discretion. Yes for custody in the client's name.

Tough one he brought up regarding Gates - JE and JPM as co-trustee. While I expect that this would be hard to get through - its like co-branding with him. We should still discuss it - Let's talk. He understood.

John R. Duffy
J.P. Morgan
CEO, U.S. Private Bank
270 Park Avenue
New York, NY 10017
Tel: 212-464-1468
Email: john.r.duffy@jpmorgan.com

J.P. Morgan Securities LLC

Confidential

- **November 13, 2013:** Bill Gates emails Epstein asking if he should approach Leon Black about setting up a private DAF. Epstein replies with a critique of Mary Erdoes and JPM's "mini version" DAF (calling it a failure), while pushing the benefits of customized, anonymous DAF structures for the "hyper rich."

On Wed, Nov 13, 2013 at 6:01 PM, Bill Gates <[redacted]> wrote:

I should understand better what I should do here.
Should I approach Leon specifically about doing a DAF?
I would like to do a few of them on a private basis and see how it goes.
I should start with the people who are most open minded to the construct.

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Bill Gates <[redacted]>
Subject: Re: DAF structure learning?
Date: Wed, 13 Nov 2013 22:36:10 +0000

If you thought smart. Larry Summers would gladly be involved, the flexibility of the DAFS are custom made for the problems of the hyper rich. more and more people realize they can't give this much money to their children. however as Ive said before they have no solution. The Jp Morgan mini version was a failure, though it raised some money. To remind you, and you can check with Boris, I told you that this would not work . the presentations , goals persectives , were pedestrian sell side constructs. Mary Erdoes is a nice person. thats it. . Dafs allow anonymous giving, . so that ones alma mater is not hysterical that their favorite alumni has other interests. . portfolios can be designed for each individual so that they have a say in the investment makeup. (this quickly goes away). . It is like having a perpetual money fund, your children can advise in the future, an can call upon seasoned professionals. there is a limited number as you know of super high qualty people in any field , the chariable one , no exception. otherwise you have 50 families that have wealth greater than 5 billion , each setting up their own, having the same administration headaches concerns, and search criteria its silly. . look forward to spending time, it will be the most money any charity has ever had.

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Wednesday, November 13, 2013 2:19 AM
To: Bill Gates
Subject:

the art sales are an example of the cash pressure. that could be going for good causes. Donor advised Fund Apollo , leon black will do the money piece, you do the giving.
http://www.nytimes.com/2013/11/13/arts/design/bacons-study-of-freud-sells-for-more-than-142-million.html?hp&gwh=5AED892B89D4E7F3E7A9A9F2C792565F

- **December 1, 2014:** Brock Pierce emails Jeffrey Epstein regarding an urgent allocation opportunity in a $60 million Series C financing round for Coinbase (alongside Andreessen Horowitz and Union Square Ventures), sending legal onboarding documents via "Crypto Currency Partners II, LLC."

From: Brock Pierce <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: The Stephens brothers - Potential Series C Investors
Date: Mon, 01 Dec 2014 18:18:21 +0000
Attachments: 4855_001.pdf; Amended_and_Restated_Co-Sale_Agreement_(Series_B).pdf; Amended_and_Restated_Investor_Rights_Agreement_(Series_B).pdf; Amended_and_Restated_Voting_Agreement_(Series_B).pdf; Capitalization_Table.xls; Coinbase_Global_-_Amended_and_Restated_Certificate_of_Incorporation.pdf; Coinbase_Series_C.pdf; Series_B_Stock_Purchase_Agreement_(Series_B).pdf; Series_C_Term_Sheet.pdf

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Jeffrey,

The Coinbase Series C is going to be finalized this week. I have gotten us allocation if you're interested and able to move fast. Should be a $60M financing. The syndicate of investors in the round are DFJ Growth, a16z (Andreessen Horowitz), USV, Ribbit Capital and a few bank venture arms and traditional financial service players. Are you available to talk to the co-founder who is spearheading the financing today?

EFTA00679451

- **January 27, 2015:** JPM's Vahe Stepanian and Daniel Sabba confirm execution details for a Total Return Swap (TRS) and short European Call options package on Twitter (TWTR) stock for Epstein's entity, Southern Financial LLC.

From: Vahe Stepanian
Sent: Tuesday, January 27, 2015 5:50 PM
To: Daniel Sabba; jeffrey E.
Cc: Paul Morris; Richard Kahn
Subject: RE: Trade Recap - 01/27/2015 - Long TWTR on 1y TRS, Short TWTR 1y calls [C]

Classification: **Confidential**

EFTA01203566

Jeffrey – please find updated TWTR trade details below (inclusive of initial strike), along with attached termsheet.

Total Return Swap:

Swap Seller:	DB
Swap Buyer:	Southern Financial LLC
Ticker:	TWTR
Size:	100,000 shares
Expiry:	1/27/2016
Spread:	1mL+ 75bps
Resets:	Monthly
Optional Early Termination:	Applicable, 3 days (two-way)
Commissions:	$0.03 per share in and out
Initial Strike:	$38.9662 (Gross) / $38.9962(Net)

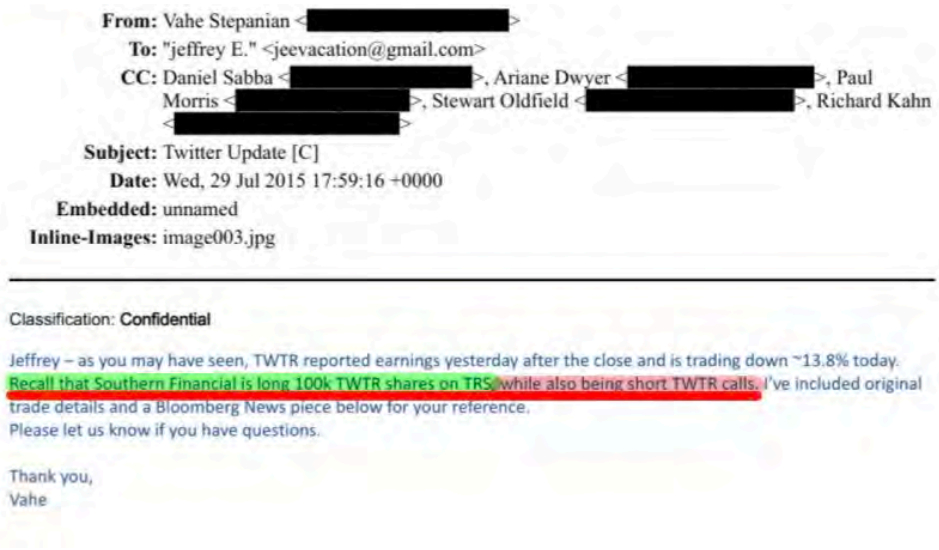
European Call options on TWTR:

Option Seller:	Southern Financial LLC
Option Buyer:	DB
Shares:	100,000
Notional:	$3,896,620.00
Type:	Call
Style:	European
Expiry:	1/27/2016
Strike	$38.9662

Premium client receives: $728,278.28 (18.69%)

Thank you,
Vahe

- **July 29, 2015:** JPM alerts Epstein that Twitter stock plummeted 13.8% following its earnings release, impacting his active long TRS position.



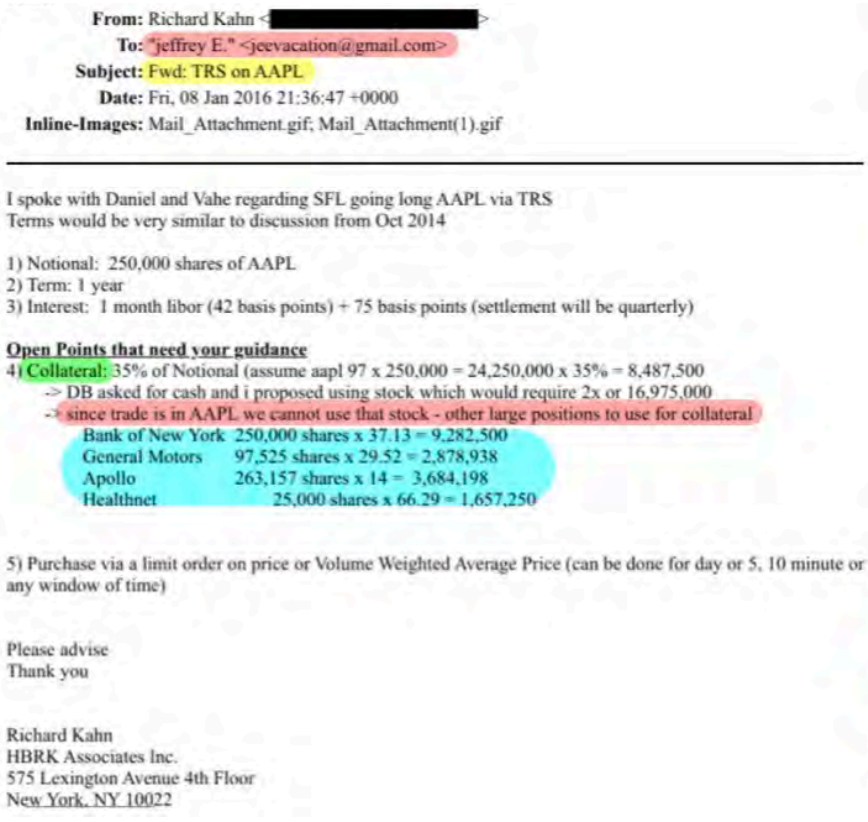
From: Vahe Stepanian <[redacted]>
To: "jeffrey E." <jeevacation@gmail.com>
CC: Daniel Sabba <[redacted]>, Ariane Dwyer <[redacted]>, Paul Morris <[redacted]>, Stewart Oldfield <[redacted]>, Richard Kahn <[redacted]>
Subject: Twitter Update [C]
Date: Wed, 29 Jul 2015 17:59:16 +0000
Embedded: unnamed
Inline-Images: image003.jpg

Classification: **Confidential**

Jeffrey – as you may have seen, TWTR reported earnings yesterday after the close and is trading down ~13.8% today. Recall that Southern Financial is long 100k TWTR shares on TRS while also being short TWTR calls. I've included original trade details and a Bloomberg News piece below for your reference.
Please let us know if you have questions.

Thank you,
Vahe

- **January 8, 2016:** Richard Kahn (HBRK Associates) details a proposal for Southern Financial LLC to go long on Apple (AAPL) via a 1-year TRS. The deal outlines a need for $16.97 million in collateral, proposing the use of heavy stock concentrations in Bank of New York, General Motors, Apollo, and Healthnet.



From: Richard Kahn <[redacted]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: TRS on AAPL
Date: Fri, 08 Jan 2016 21:36:47 +0000
Inline-Images: Mail_Attachment.gif; Mail_Attachment(1).gif

I spoke with Daniel and Vahe regarding SFL going long AAPL via TRS
Terms would be very similar to discussion from Oct 2014

1) Notional: 250,000 shares of AAPL
2) Term: 1 year
3) Interest: 1 month libor (42 basis points) + 75 basis points (settlement will be quarterly)

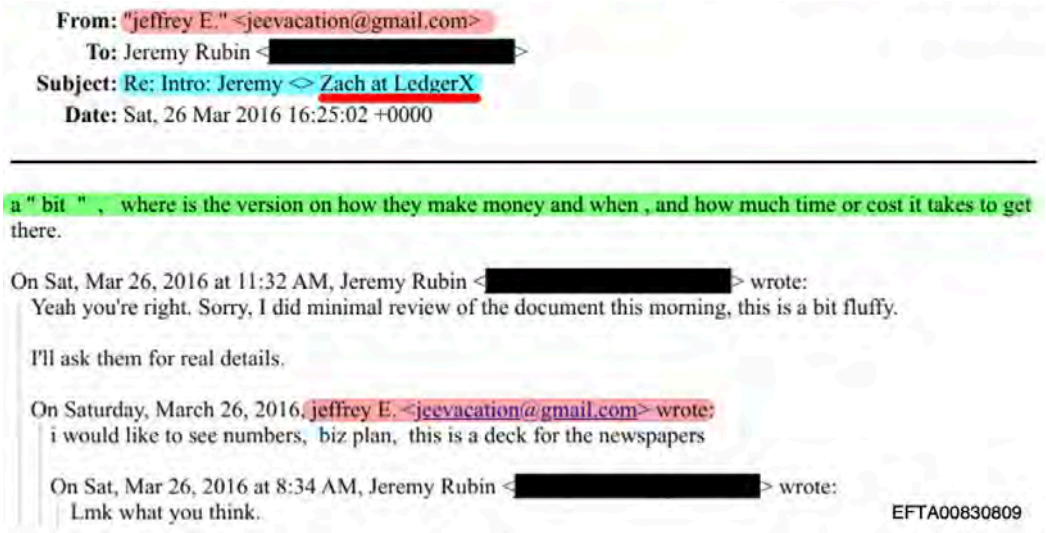
Open Points that need your guidance
4) Collateral: 35% of Notional (assume aapl 97 x 250,000 = 24,250,000 x 35% = 8,487,500
-> DB asked for cash and i proposed using stock which would require 2x or 16,975,000
-> since trade is in AAPL we cannot use that stock - other large positions to use for collateral
Bank of New York 250,000 shares x 37.13 = 9,282,500
General Motors 97,525 shares x 29.52 = 2,878,938
Apollo 263,157 shares x 14 = 3,684,198
Healthnet 25,000 shares x 66.29 = 1,657,250

5) Purchase via a limit order on price or Volume Weighted Average Price (can be done for day or 5, 10 minute or any window of time)

Please advise
Thank you

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022

- **March 26, 2016:** Developer Jeremy Rubin shares an early deck regarding digital currency exchange LedgerX with Epstein. Epstein responds critically, dismissing it as "a deck for the newspapers" and demanding to see an actual business plan, cost timelines, and revenue numbers.



From: "jeffrey E." <jeevacation@gmail.com>
To: Jeremy Rubin <[redacted]>
Subject: Re: Intro: Jeremy <> Zach at LedgerX
Date: Sat, 26 Mar 2016 16:25:02 +0000

---

a " bit " , where is the version on how they make money and when , and how much time or cost it takes to get there.

On Sat, Mar 26, 2016 at 11:32 AM, Jeremy Rubin <[redacted]> wrote:
Yeah you're right. Sorry, I did minimal review of the document this morning, this is a bit fluffy.

I'll ask them for real details.

On Saturday, March 26, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
i would like to see numbers, biz plan, this is a deck for the newspapers

On Sat, Mar 26, 2016 at 8:34 AM, Jeremy Rubin <[redacted]> wrote:
Lmk what you think.

EFTA00830809

- **March 3, 2017:** A proposal letter to Bill Gates outlines deliverables for data infrastructure at bgC3, focusing on zero-knowledge proof digital systems for secure consumer healthcare data, neurotech whitepapers as weapons in national intelligence and defense, and pandemic simulations.

From [redacted]
Sent: Friday, March 3, 2017 5:31 PM
To: 'Bill Gates' <billg@bgc3.com <mailto:billg@bgc3.com> >
Cc: Larry Cohen <larry.cohen@bgc3.com <mailto:larry.cohen@bgc3.com> >
Subject: bgc3 Deliverables and Scope

Bill –

Larry and I have been=working on deliverables for my time at bgc3 since you and I spoke. At Larr='s request I have spoken with Rodger, Mark, Chris, Trevor, Geoff =E2[illegible] and next week Bose/Jonah. Everyone has offered guidance, advice t=oughts and ideas.

As Larry works to put=together any required documentation, we are trying to make sure we make th=s time valuable for all.

Two areas where I am =nterested, in terms of scope: domestic health and neurotech/brain science.=/div>
I propose these as de=iverables, please let Larry and I know what you think.
Deliverables:<=div>

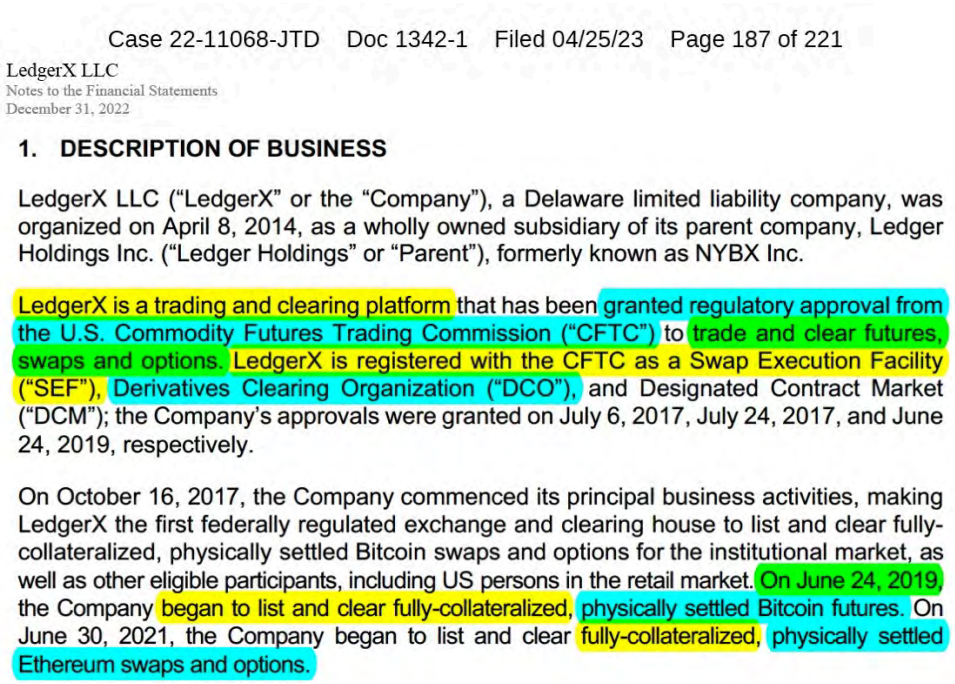
1. To improve access and secure personal health data (affordabil=ty/access) -->Blueprint and/or recomme=dations for a zero knowledge proof-based digital system to secure private personal=health information while allowing access to digitally redacted personal in=ormation
2. Whitepaper on consumer health expenditures in the USA
3. Whitepaper and/or recommendations on neurotechnologies relate= to chronic/degenerative disease
4. Whitepaper on Neurotechnologies as weapons in national intell=gence and defense
5. Follow-up recommendations and/or technical specifications for Strain pandemic simulation

Happy to do whatever =lse is helpful – or adapt along the way.
Thanks for the opport=nity...hope the weekend is off to a good start.

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EFTA02657725

LedgerX Corporate Evolution and Banking Crisis (2017–2023)

- **July 2017 – June 2019:** LedgerX LLC receives formal regulatory approval from the CFTC as a Swap Execution Facility (SEF), Derivatives Clearing Organization (DCO), and Designated Contract Market (DCM), launching institutional physically settled Bitcoin derivatives.



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LedgerX LLC
Notes to the Financial Statements
December 31, 2022

1. DESCRIPTION OF BUSINESS

LedgerX LLC ("LedgerX" or the "Company"), a Delaware limited liability company, was organized on April 8, 2014, as a wholly owned subsidiary of its parent company, Ledger Holdings Inc. ("Ledger Holdings" or "Parent"), formerly known as NYBX Inc.

LedgerX is a trading and clearing platform that has been granted regulatory approval from the U.S. Commodity Futures Trading Commission ("CFTC") to trade and clear futures, swaps and options. LedgerX is registered with the CFTC as a Swap Execution Facility ("SEF"), Derivatives Clearing Organization ("DCO"), and Designated Contract Market ("DCM"); the Company's approvals were granted on July 6, 2017, July 24, 2017, and June 24, 2019, respectively.

On October 16, 2017, the Company commenced its principal business activities, making LedgerX the first federally regulated exchange and clearing house to list and clear fully-collateralized, physically settled Bitcoin swaps and options for the institutional market, as well as other eligible participants, including US persons in the retail market. On June 24, 2019, the Company began to list and clear fully-collateralized, physically settled Bitcoin futures. On June 30, 2021, the Company began to list and clear fully-collateralized, physically settled Ethereum swaps and options.

- **June 30, 2021:** LedgerX officially expands its platform to clear physically settled Ethereum swaps and options.

- **October 13, 2021:** LedgerX's parent company, Ledger Holdings Inc., is officially acquired by West Realm Shires Inc. (the parent company of FTX.US). At the close of December 2021, LedgerX holds over $480 million in participant margin deposits.

LedgerX LLC
Notes to the Financial Statements
December 31, 2021

4. PARTICIPANT MARGIN DEPOSITS

Full-Collateralization

Generally, participant agreements require that accounts and transactions be fully-collateralized, which requires that participants post sufficient cash (USD) and/or digital asset margin deposits prior to trade execution in order to satisfy the maximum potential loss on all open positions. In addition, Participants may opt into a collateral netting system that allows a Participant's required collateral for a given option to be netted with the Participant's other options of the same type and term. In all cases, LedgerX still holds the maximum potential loss on the entire portfolio of positions.

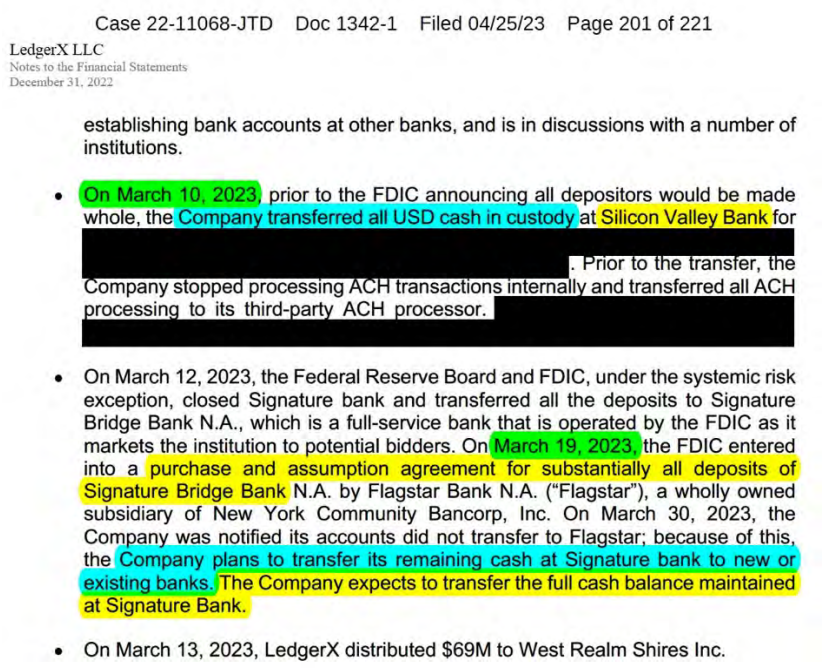
Cash participant margin deposit balances are recorded as an asset and offsetting liability (participant margin deposits) on the statement of financial condition. Bitcoin and Ethereum margin deposits are not reflected on the financial statements, and instead are recorded off-balance sheet. Cash and digital assets held as participant margin deposits at fair value at December 31, 2021 were as follows:

Cash participant margin deposits	$70,129,953
Digital asset margin deposits	$410,653,228
Total	$480,783,181

LedgerX maintains custody of participant digital asset margin deposits on behalf of participants to support their trading portfolio. The Company has control of the participant's crypto, held at BitGo Trust on behalf of LedgerX (for cold wallets) and BitGo by LedgerX (for hot and warm wallets). Participant digital asset margin deposits are maintained in the Company's participant digital wallets and are not commingled with LedgerX's proprietary digital assets. The Company uses consolidated wallets to pool participants' digital assets but maintains a separate ledger to designate each participant's digital asset balance. At December 31, 2021, Bitcoin and Ethereum were the only two digital assets held by the Company and traded on the exchange.

- **November 11–14, 2022:** FTX Trading Ltd., West Realm Shires Inc., and affiliated entities enter Chapter 11 bankruptcy. LedgerX LLC is excluded from the filings and continues standalone operations.

- **March 10, 2023:** Mid-banking crisis, LedgerX completely halts its internal ACH transaction pipeline and successfully transfers all USD cash assets out of custody at the failing Silicon Valley Bank (SVB).



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LedgerX LLC
Notes to the Financial Statements
December 31, 2022

establishing bank accounts at other banks, and is in discussions with a number of institutions.

- On March 10, 2023, prior to the FDIC announcing all depositors would be made whole, the Company transferred all USD cash in custody at Silicon Valley Bank for [redacted]. Prior to the transfer, the Company stopped processing ACH transactions internally and transferred all ACH processing to its third-party ACH processor. [redacted]
- On March 12, 2023, the Federal Reserve Board and FDIC, under the systemic risk exception, closed Signature bank and transferred all the deposits to Signature Bridge Bank N.A., which is a full-service bank that is operated by the FDIC as it markets the institution to potential bidders. On March 19, 2023, the FDIC entered into a purchase and assumption agreement for substantially all deposits of Signature Bridge Bank N.A. by Flagstar Bank N.A. ("Flagstar"), a wholly owned subsidiary of New York Community Bancorp, Inc. On March 30, 2023, the Company was notified its accounts did not transfer to Flagstar; because of this, the Company plans to transfer its remaining cash at Signature bank to new or existing banks. The Company expects to transfer the full cash balance maintained at Signature Bank.
- On March 13, 2023, LedgerX distributed $69M to West Realm Shires Inc.

- **March 12–13, 2023:** Signature Bank is closed by regulators. On March 13, LedgerX successfully distributes a $69 million payment to its bankrupt parent entity, West Realm Shires Inc.
- **March 30, 2023:** LedgerX is notified that its residual banking accounts did not transfer to Flagstar Bank N.A. following the Signature Bridge Bank resolution, initiating plans to completely clear its cash balances out of Signature to alternative financial institutions.

1. The Blueprint: Synthetics, Swaps, and ISDA Frameworks (Epstein & JPM)

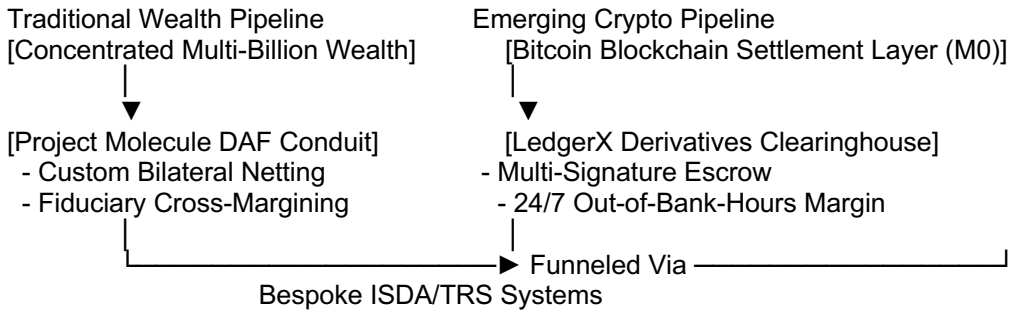
The early pipeline demonstrates how traditional investment banking utilized complex derivatives to create synthetic exposure and park illiquid assets for high-net-worth clients:

- **ISDA Infrastructure:** To trade customized derivatives, a counterparty must first execute an International Swaps and Derivatives Association (**ISDA**) master agreement. The U.S. Department of Justice documents show that JPM established this framework for Epstein on the Global Investment Opportunities (**GIO**) desk, a crucial step that allowed him to move away from vanilla market assets into bespoke synthetics.

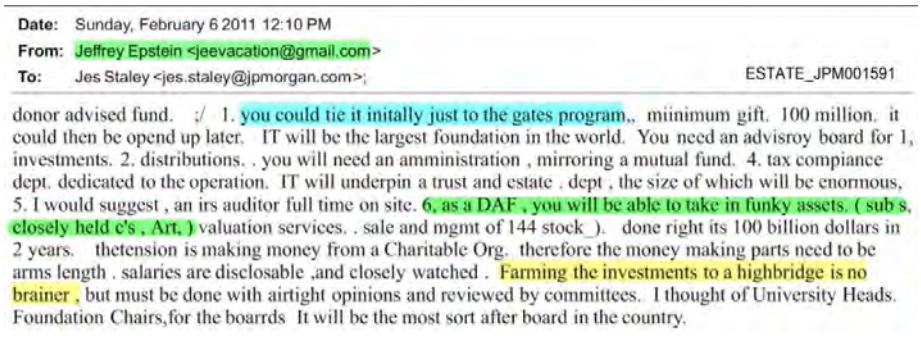
- **Total Return Swaps (TRS) & Bilateral Credit:** In his trades (such as on AAPL and TWTR), Epstein utilized Total Return Swaps. In a TRS, an investment bank (acting as the Swap Seller, such as Deutsche Bank or JPM) passes the total economic performance of an underlying asset to the client's shell company (**Southern Financial LLC**) in exchange for a floating interest rate (e.g., 1 m Libor + 75bps.
- **The Collateral Problem:** Traditional TRS structures require massive margin outlays. When entering the AAPL swap, Epstein's associates explicitly proposed utilizing existing concentrated equity positions (such as shares of Bank of New York or General Motors) at a 2 times haircut to avoid posting pure cash collateral. This process—**collateralization via non-cash, highly volatile, or funky assets**—set the stage for what the ultra-wealthy required from emerging digital networks.

2. Institutional Engineering: Project Molecule & "Funky Assets"

When Epstein brokered the connection between Jes Staley (JPM) and Bill Gates to pitch the **Super Donor Advised Fund (DAF)**, known internally as **Project Molecule**, the core financial objective was to build a multi-billion-dollar conduit capable of managing institutional scale.



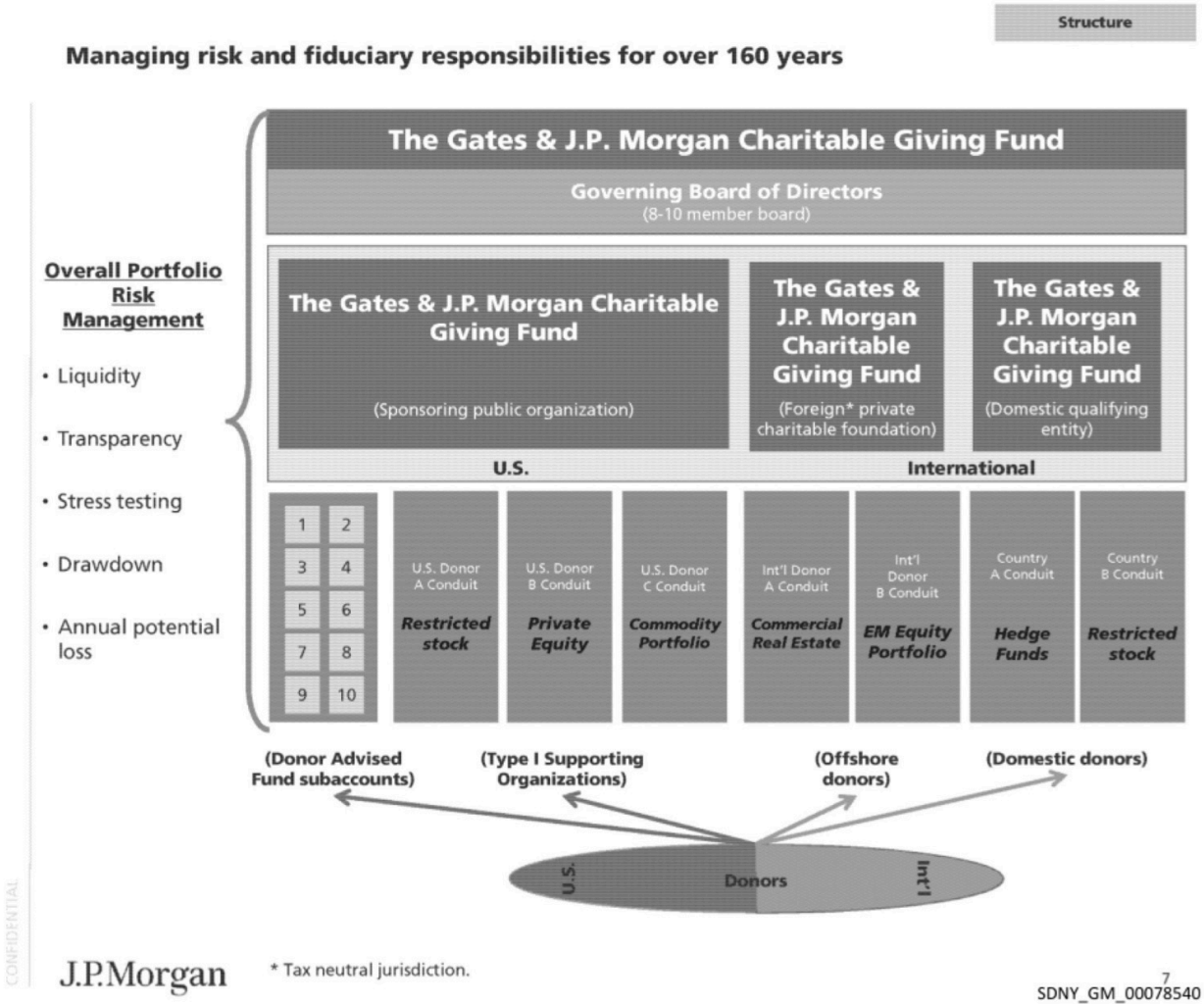
- **Valuation & Title Transfer of Illiquid Assets:** Epstein's structural proposal for the Gates DAF specifically emphasized that the entity must be capable of taking in **"funky assets"** (such as Closely Held C-corporations, Subchapter S stock, or Art). Project Molecule's official presentation detailed specialized U.S. and International "Conduits" designed to hold restricted stock, private equity, and hedge fund allocations.



Date: Sunday, February 6 2011 12:10 PM
From: Jeffrey Epstein <jeevacation@gmail.com>
To: Jes Staley <jes.staley@jpmorgan.com>; ESTATE_JPM001591

donor advised fund. ;/ 1. you could tie it initally just to the gates program,, minimum gift. 100 million. it could then be opend up later. IT will be the largest foundation in the world. You need an advisroy board for 1, investments. 2. distributions. . you will need an amministration , mirroring a mutual fund. 4. tax compiance dept. dedicated to the operation. IT will underpin a trust and estate . dept , the size of which will be enormous, 5. I would suggest , an irs auditor full time on site. 6, as a DAF , you will be able to take in funky assets. (sub s, closely held c's , Art,) valuation services. . sale and mgmt of 144 stock_). done right its 100 billion dollars in 2 years. thetension is making money from a Charitable Org. therefore the money making parts need to be arms length . salaries are disclosable ,and closely watched . Farming the investments to a highbridge is no brainer , but must be done with airtight opinions and reviewed by committees. I thought of University Heads. Foundation Chairs,for the boarrds It will be the most sort after board in the country.

- **Anonymous Multi-Billion Netting:** The DAF was engineered to offer a user interface where hyper-rich investors could pull data from individual investment "silos" while executing their transfers completely anonymously. This architecture perfectly mirrors the privacy requirements and programmatic settlement of decentralized ledgers.
- **Cross-Margining Systems:** Project Molecule positioned JPM to act as a centralized outsourced Chief Investment Officer (CIO), utilizing an investment committee to manage overall portfolio risk, stress testing, and liquidity drawdowns. The structural challenge of cross-margining—using one class of asset or financial contract to collateralize another—was the exact pain point waiting for a cryptographic solution.



3. The Financial Pipeline: From Wall Street Synthetics to Crypto Ecosystems

The conceptual shift from the Epstein/JPM/Gates proposals to the crypto ecosystem occurs when traditional, slow-moving legacy rails (which Epstein criticized as "pedestrian sell-side constructs") collided with early-stage digital asset funding.

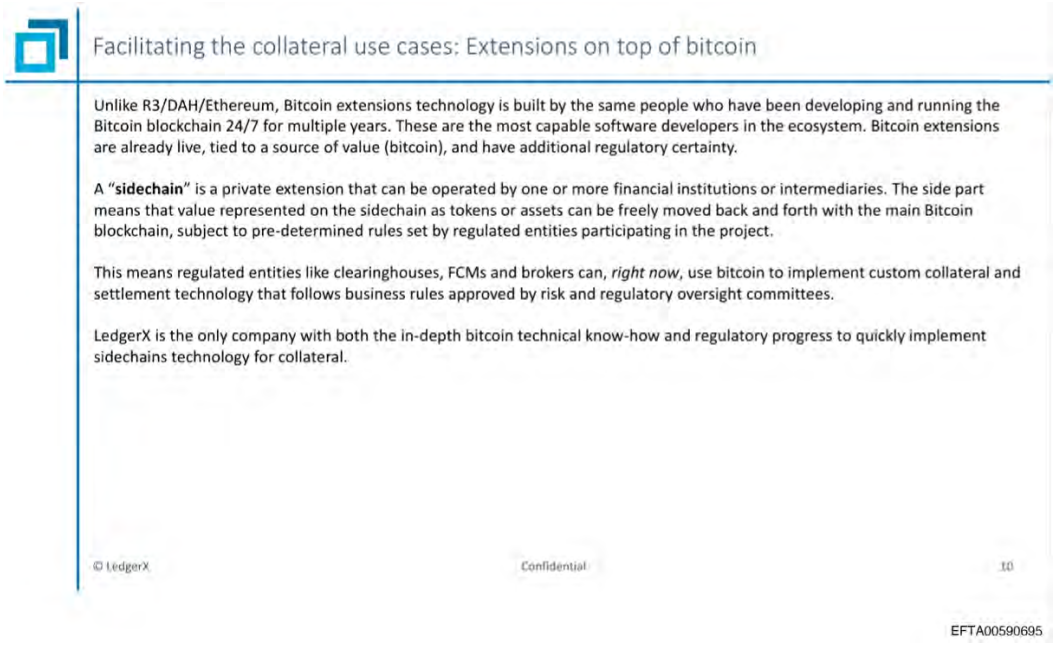
Step A: Early Capital & Blockchain Pitches

As early as late 2014, the same network of high-net-worth capital began shifting directly toward blockchain infrastructure. Brock Pierce explicitly targeted Epstein for rapid allocation into the **Coinbase Series C** financing round via Crypto Currency Partners II, LLC. Concurrently, developers like Jeremy Rubin were feeding Epstein pitch decks for **LedgerX**, which was explicitly designed to marry traditional options trading with Bitcoin clearing mechanics.

Step B: The Structural Transformation (LedgerX)

LedgerX took the core mechanics of the JPM/Epstein/Gates swaps and reinvented them natively on the blockchain:

- **Replacing Cash Wires with Bitcoin-as-Collateral:** In the legacy banking system, moving collateral to adjust swap positions was constrained by banking hours and ACH/wire delays. LedgerX introduced **Bitcoin as a settlement layer**. Because Bitcoin can be posted 24/7, counterparty risk on uncleared trades could be managed within 10 minutes rather than waiting for the next business day.



Facilitating the collateral use cases: Extensions on top of bitcoin

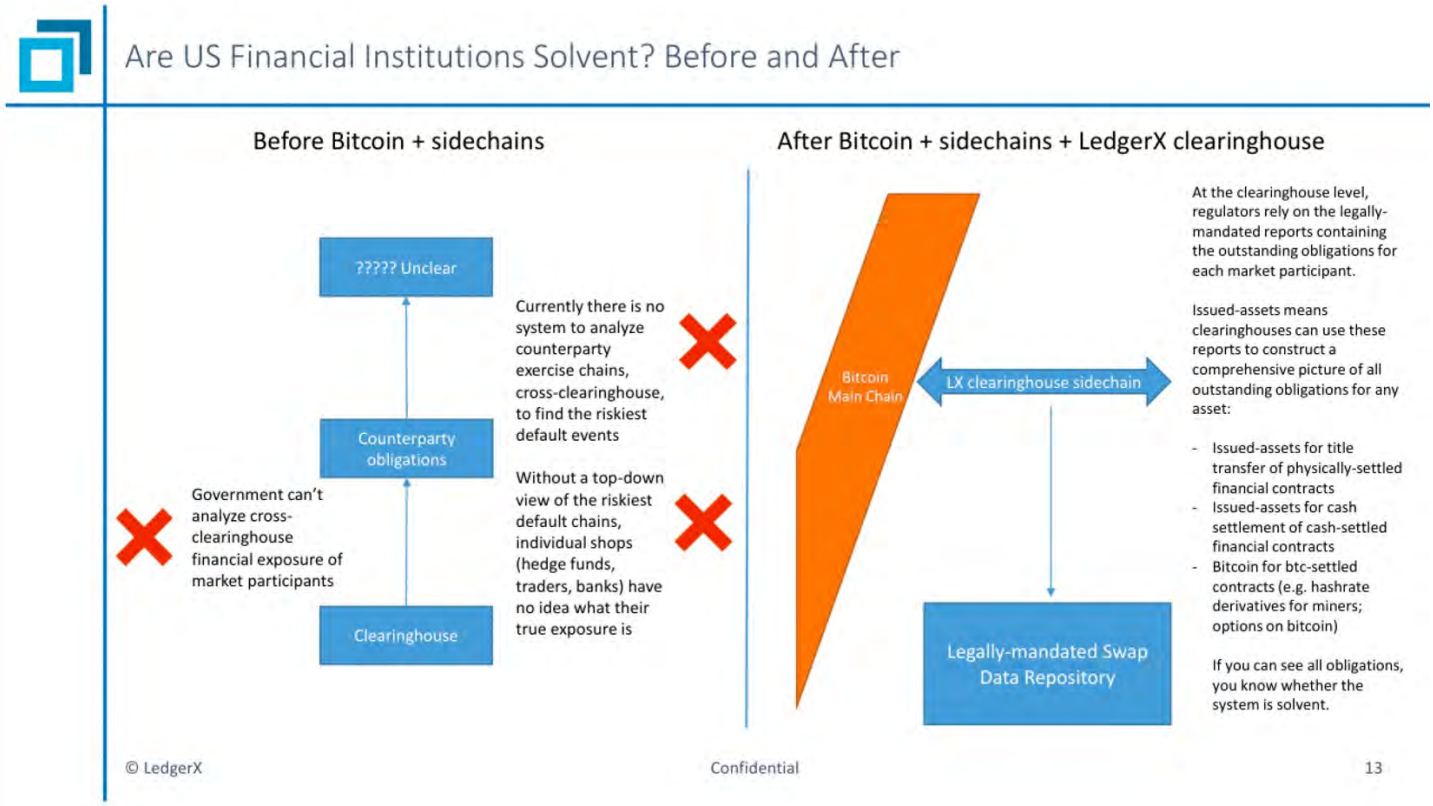
Unlike R3/DAH/Ethereum, Bitcoin extensions technology is built by the same people who have been developing and running the Bitcoin blockchain 24/7 for multiple years. These are the most capable software developers in the ecosystem. Bitcoin extensions are already live, tied to a source of value (bitcoin), and have additional regulatory certainty.

A "**sidechain**" is a private extension that can be operated by one or more financial institutions or intermediaries. The side part means that value represented on the sidechain as tokens or assets can be freely moved back and forth with the main Bitcoin blockchain, subject to pre-determined rules set by regulated entities participating in the project.

This means regulated entities like clearinghouses, FCMs and brokers can, *right now*, use bitcoin to implement custom collateral and settlement technology that follows business rules approved by risk and regulatory oversight committees.

LedgerX is the only company with both the in-depth bitcoin technical know-how and regulatory progress to quickly implement sidechains technology for collateral.

- **Cryptographic Escrow vs. Central Co-Trustees:** In 2013, Epstein and JPM executives struggled with the legal hurdles of co-branding and forming a structure where Gates, Epstein, and JPM would act as "co-trustees". LedgerX solved this trust architecture legally and technically by utilizing **Bitcoin multi-signature wallets**. Instead of relying on a human custodian or a legacy bank trust department, multi-sig wallets allow multiple trading counterparties to deposit collateral into a secure, shared cryptographic "room," automating bilateral netting and preventing over-collateralization.
- **Sidechains and Regulatory Wrappers:** To funnel institutional wealth securely, LedgerX deployed **"sidechains"**. These are private, regulated extensions of the main blockchain that allow clearinghouses, Futures Commission Merchants (FCMs), and brokers to maintain a running log of collateral balances with transaction confidentiality—satisfying the strict privacy demands of ultra-high-net-worth individuals while executing real-time cross-margining.



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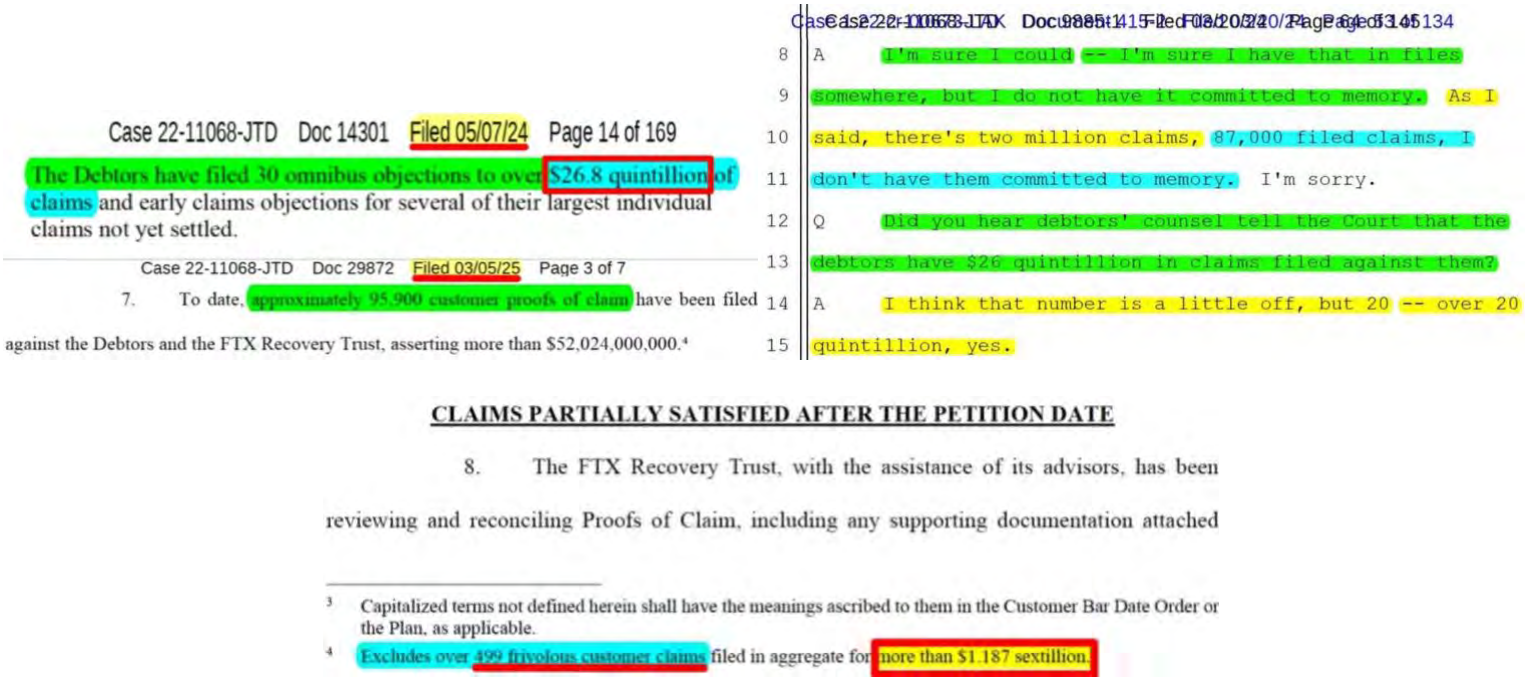


4. Institutional Integration and the Banking Crisis (2017–2023)

Once the technology was established, LedgerX successfully wrapped this derivative structure in full federal compliance, earning CFTC approval as a Swap Execution Facility (SEF) and Derivatives Clearing Organization (DCO).

- **The Systemic Solvency Solution:** In the legacy framework, governments struggled to analyze the cross-clearinghouse financial exposure of market participants during market crashes. By vertically integrating OTC derivatives payment processing over blockchain rails, LedgerX generated real-time, legally mandated reports for Swap Data Repositories, providing an instant view of systemic solvency.
- **The FTX Choke Point:** In October 2021, it was bought by West Realm Shires Inc. (FTX.US). However, because LedgerX's regulatory wrapper mandated a **fully-collateralized structure** (requiring participants to post the maximum potential loss in cash or digital margin *prior* to trade execution), its participant assets were completely isolated from the massive commingling and leverage failure that triggered the historic Chapter 11 FTX bankruptcy in November 2022.
- **The March 2023 Banking Crisis Evacuation:** The final test of this pipeline came during the macro banking crisis of March 2023. As Silicon Valley Bank (SVB) and Signature Bank faced rapid insolvency collapses, LedgerX bypassed traditional banking plumbing. Because its clearinghouse operates as a Central Counterparty (CCP) with precisely equal and offsetting claims, it was able to swiftly halt its internal ACH pipeline, successfully evacuate its USD cash assets from SVB prior to the FDIC shutdown, and “funnel” & launder shadow banking liabilities, derivative re-lending, and cross-collateralizations having theoretical operational exposure revised drastically upward by from a baseline of $26.8 quintillion up to an unprecedented $1.187 sextillion; Signature Bank, Silicon Valley Bank, Deltec, and others while distributing funds back to its Venture Investment entity whom laundered the loosing underlying synthetic swap positions’ value into the blockchain.

Ultimately, the exact derivative mechanisms designed to maximize flexibility, mask publicity, and cross-collateralize the assets of the hyper-rich under the JPM and Project Molecule umbrellas found their final, automated evolutionary form inside the fully collateralized, 24/7 clearing infrastructure of the crypto ecosystem.



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The Debtors have filed 30 omnibus objections to over $26.8 quintillion of claims and early claims objections for several of their largest individual claims not yet settled.

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7. To date, approximately 95,900 customer proofs of claim have been filed against the Debtors and the FTX Recovery Trust, asserting more than $52,024,000,000.[4]

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A I'm sure I could -- I'm sure I have that in files somewhere, but I do not have it committed to memory. As I said, there's two million claims, 87,000 filed claims, I don't have them committed to memory. I'm sorry.

Q Did you hear debtors' counsel tell the Court that the debtors have $26 quintillion in claims filed against them?

A I think that number is a little off, but 20 -- over 20 quintillion, yes.

CLAIMS PARTIALLY SATISFIED AFTER THE PETITION DATE

8. The FTX Recovery Trust, with the assistance of its advisors, has been reviewing and reconciling Proofs of Claim, including any supporting documentation attached

[3] Capitalized terms not defined herein shall have the meanings ascribed to them in the Customer Bar Date Order or the Plan, as applicable.

[4] Excludes over 499 frivolous customer claims filed in aggregate for more than $1.187 sextillion.

I. Structural Deficiencies in Existing Audit Trails: The Exploitation of Broker-Dealer and Bank Exemptions

The Commission's concept release notes the critical role audit trails serve in tracking market conditions and maintaining demonstrated regulatory needs. However, legacy architecture consistently fails to track off-balance-sheet settlement loops. Historical data shows that traditional market operators frequently utilize institutional loopholes to conceal massive short allocations and mask direct equity exposures.

A. The Prime Brokerage Pre-Borrow and Locate Loophole

Standard regulatory reporting requires short-sellers to verify borrowable shares through an official "locate" before executing a short sale. Yet, historic multi-million-share short campaigns highlight how relationship-driven prime brokerages can selectively wave these rules. In institutional short-selling models, prime brokers have historically bypassed immediate pre-borrow verification, telling high-volume hedge funds that as long as they secure a locate "at some point," a naked short position can actively sit on the books. When short sellers execute synthetic loops without immediate borrow enforcement, they create artificial downward pricing momentum, fundamentally breaking true price discovery.

B. The Proprietary Broker-Dealer Reporting Shield

The CAT's current oversight parameters contain a severe blind spot regarding quantitative funds that maintain internal broker-dealer licenses. When an asset manager operates under a broker-dealer classification, a sequence of regulatory exemptions unfolds:



1. They are structurally insulated from pre-borrow mandates before initiating short books.
2. They are legally permitted to bypass standard public reporting thresholds, allowing them to systematically accumulate more than 5% of a target company's outstanding equity without issuing immediate, transparent disclosures.

For example, during the 2011 Orexigen Therapeutics short campaign, a massive 32-million-share short book was entirely absorbed by a quantitative counterparty (Renaissance Technologies) utilizing internal broker-dealer routing to shield the massive transaction volume from public oversight. This opacity creates severe information asymmetry. While mainstream corporate leaders are strictly targeted by the SEC for failing to meet 48-hour disclosure windows when acquiring over 5% of a company, institutional market-makers and quantitative broker-dealers routinely execute multi-million-share block trades completely insulated from clear public reporting timelines.

> The following is a transcript of an interview between an interviewer (Vlad Lyubovny) and Martin Shkreli:
>
> **PROCEEDINGS**
>
> [00:10] **INTERVIEWER:** I mean after the whole Lehman Brothers situation, you and your friend, uh, Mark Biestek—
>
> [00:19] **MR. SHKRELI:** Yeah, Mark. Mark Biestek.
>
> [00:19] **INTERVIEWER:** You guys started MSMB Capital Management.
>
> [00:22] **MR. SHKRELI:** Yeah, we did a lot better with this one, right?
>
> [00:24] **INTERVIEWER:** But then in 2011, you guys had a naked short sale with Merrill Lynch?
>
> [00:29] **MR. SHKRELI:** It was kind of a naked short. I wouldn't exactly say that, but yeah, we got into more trouble, right.
>
> [00:34] **INTERVIEWER:** Well, you guys shorted 32 million shares of, uh, Orexigen Therapeutics at $2.50 a share?
>
> [00:41] **MR. SHKRELI:** It was an interesting trade, that's for sure.
>
> [00:45] **INTERVIEWER:** Okay. So how big was this trade when the dust settled?
>
> [00:49] **MR. SHKRELI:** It was, uh, it was kind of a weird trade. The company would then go bankrupt, by the way, like a year later. But at the time, the company had this weight loss drug and it didn't work very well,



and the FDA said they weren't going to approve it. [01:03] I think that was what happened, and we shorted it thinking basically the company was kaput. [01:11] And one of the things—it was kind of interesting and again, I probably shouldn't have done this—but what I tried to do is I actually tried to short so much stock, I wanted to see if it would, um, lower the price. [01:23] Because that makes sense. You know, so why not short as much as you can?

[01:28] **INTERVIEWER:** You remember in shorting, you actually have a few days to borrow the stock, right? But naked short sales is when you don't borrow first, right? And that's what happened in your situation.

[01:37] **MR. SHKRELI:** It's complicated. There's, there's a lot of, uh... you know, technically you're supposed to get a locate, borrow the stock, and then short it. [01:43] Yeah, the bank we had a relationship with didn't require that, which is really odd. They've since required it, as you can imagine, um, but they basically said, "Listen, as long as you get a locate at some point, we don't care." [02:01]

[02:02] **MR. SHKRELI:** And what I found out that day was really fascinating. I found out that Renaissance actually bought all the stock we shorted. [02:08] And since you brought it up, and it was really fascinating, because there's this little weird rule in the stock market that if you're a broker-dealer—which is a weird thing to be, uh, most hedge funds don't need to be a broker-dealer because you don't have any customers. You know, it's not like you're going to call me up and say, "I want to place a trade." You don't have an account here, we're a hedge fund. [02:30] You could be a limited partner, but you're not going to... we're not a brokerage.

[02:35] **MR. SHKRELI:** So, so a lot of these quantitative funds like Renaissance, they have broker-dealer licenses. And when you have one of those—it's not hard to get—you no longer have to borrow before you short. You no longer have to disclose that you own more than 5% of a company. [02:53] So I shorted so much of this company, like a massive amount. They said, "Who's buying this? Why isn't the price dropping?" and they're just sitting there buying and buying and buying.

[03:19] **INTERVIEWER:** Well, I mean, just for everyone who's watching this, shorting is extremely dangerous because of this reason: if you buy a stock for, let's say, $10,000 and you buy it long, and the company goes completely out of business, your maximum loss is $10,000. 100%.

[03:36] **MR. SHKRELI:** Yeah.

[03:37] **INTERVIEWER:** If you short a company at $10,000 and then it becomes worth a million dollars the next day, you're on the hook.



[03:45] **MR. SHKRELI:** Yeah, you're on the hook for $990,000. You could easily go past your initial investment in a bad short. [03:52] In a really bad short. Most of the time it's not what happens. [03:56] Right.

[03:57] **INTERVIEWER:** Right. And when, also when companies—you know, when short companies, because it's usually they're on their way out—they kind of have this death rattle that happens all the time. It's sort of like, "Oh, it's going out of business. Oh wait, Microsoft might..." you know, there's a rumor that so-and-so is going to invest in them. So suddenly they jump up 500% out of the blue and then drop back down again. [04:15] And it's very—like, I've shorted here and there. Remember, I tried shorting like Barnes & Noble or like Best Buy, and I just didn't have the temperament.

[04:23] **MR. SHKRELI:** It's funny because I've actually—that's the worst short I've ever had, but I've actually made tons of money shorting over the years. Probably like half a billion dollars or something.

[04:29] **INTERVIEWER:** You made half a billion dollars shorting stocks?

[04:31] **MR. SHKRELI:** Yeah. I mean, for funds and things like that. Myself as well, of course. For myself, maybe hundred, you know, million. [04:38] Yep. I mean, in pharma, it's very easy to figure out what drugs don't work because typically there's some sign. [04:46] There's actually several signs. There's clinical signs where the drug just isn't helping anybody, right? And you can see that, okay, the, the cancer patients aren't living any longer than they should be. The drug probably doesn't work. [04:55] But people hope. They have a lot of... they're like, "Ah, this thing just might work, and it might be the next Pfizer," and it's like, nah, it's probably not the next Pfizer.

[05:03] **MR. SHKRELI:** Right. And then there's scientific reasons why. Like, "Oh, this drug is supposed to stop this enzyme," but it turns out if you do a little reading, the enzyme has nothing to do with cancer. [05:09] And it's just so preposterous that it would actually cure the cancer. But some moron—you know, suckers are born every day—they're hoping that, you know, this is the lotto ticket and it usually doesn't work out. [05:18] So every year there's usually at least two or three drug companies where it's not even a... there's no chance it's going to work. There's hundreds of drug companies that fail, but there's two or three that are just like, there's no chance. [05:30] And they're usually pretty safe to short. But as you can imagine, if it doesn't work out, you could be on the hook. If it is a cancer cure, like you just said, you could be in big trouble.

VIDEO SOURCE: Martin Shkreli: I Made Half a Billion Dollars Shorting Stocks (Part 4)

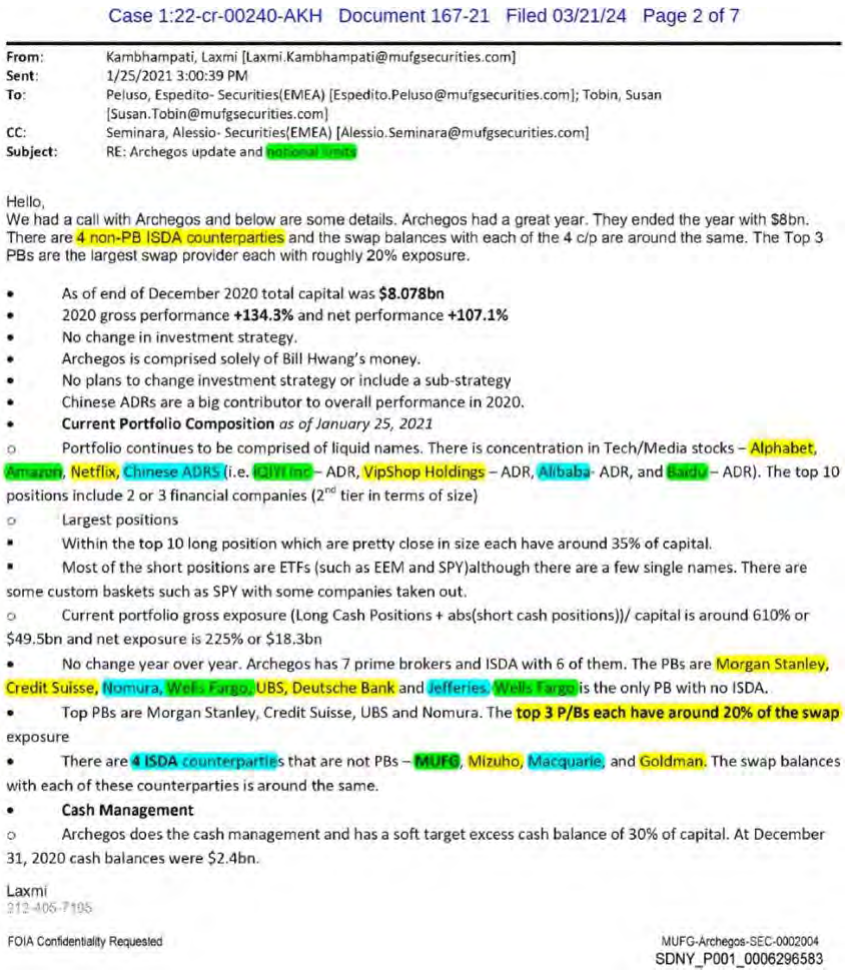
II. Forensic Analysis of Synthetic Gross Leverage, Swap Misrepresentations, and Counterparty Decoupling

The following structured analytical sections detail the reporting evasion, swap misrepresentations, and counterparty decoupling mechanics utilized within large-scale family office leverage frameworks that must be comprehensively captured by expanded CAT protocols.

A. Synthetic Gross Leverage and the Suppression of Counterparty Credit Risk

Forensic investigation logs, credit review filings, and internal risk assessment dockets reveal the operational architecture used by massive family offices to amass hidden market power while systematically masking risk metrics from clearing counterparties.

- **The Total Asset-to-Leverage Distortion:** Financial data and prime brokerage intake audits show that entities such as Archegos Capital Management, LLC dramatically expanded their synthetic footprint within a compressed timeline. Archegos began 2020 with approximately $3.4 billion in capital, suffered severe market drawdowns of 58% in the first quarter of 2020 due to macro COVID disruptions, yet manipulated its reporting to reflect an engineered surge to $23 billion in capital by early 2021—marking an indicative Year-to-Date performance increase exceeding 134% gross.
- **The Concentration Reality:** While family offices claimed to manage diversified books to appease risk professionals (e.g., reporting 110 long positions and 50 short positions), the core capital was hyper-concentrated. Corporate records show that just 10 concentrated positions accounted for 300% of the fund's Net Asset Value (NAV), totaling over $69 billion in exposure, with individual top-tier names alone commanding up to 35% of total AUM (representing $7 billion to $8.1 billion in market exposure per security issuer).
- **The Multi-PB Information Vacuum:** This extreme concentration was intentionally hidden through a distributed prime brokerage clearing strategy. Archegos utilized 7 distinct prime brokers (including Morgan Stanley, Credit Suisse, Nomura, Wells Fargo, UBS, Deutsche Bank, and Jefferies) and executed International Swaps and Derivatives Association (ISDA) master agreements with 6 of them. By splitting swap portfolios equally—where the top 3 prime brokers each held roughly 20% of the swap exposure and the remainder was diffused across non-PB ISDA counterparties like MUFG, Mizuho, Macquarie, and Goldman Sachs—the fund ensured that no single institution possessed independent visibility into the aggregate gross leverage of the total fund.



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From: Kambhampati, Laxmi [Laxmi.Kambhampati@mufgsecurities.com]
Sent: 1/25/2021 3:00:39 PM
To: Peluso, Espedito- Securities(EMEA) [Espedito.Peluso@mufgsecurities.com]; Tobin, Susan [Susan.Tobin@mufgsecurities.com]
CC: Seminara, Alessio- Securities(EMEA) [Alessio.Seminara@mufgsecurities.com]
Subject: RE: Archegos update and notional limits

Hello,
We had a call with Archegos and below are some details. Archegos had a great year. They ended the year with $8bn. There are 4 non-PB ISDA counterparties and the swap balances with each of the 4 c/p are around the same. The Top 3 PBs are the largest swap provider each with roughly 20% exposure.

- As of end of December 2020 total capital was **$8.078bn**
- 2020 gross performance **+134.3%** and net performance **+107.1%**
- No change in investment strategy.
- Archegos is comprised solely of Bill Hwang's money.
- No plans to change investment strategy or include a sub-strategy
- Chinese ADRs are a big contributor to overall performance in 2020.
- **Current Portfolio Composition** *as of January 25, 2021*
  - Portfolio continues to be comprised of liquid names. There is concentration in Tech/Media stocks – Alphabet, Amazon, Netflix, Chinese ADRS (i.e. iQIYI Inc – ADR, VipShop Holdings – ADR, Alibaba- ADR, and BaiDU – ADR). The top 10 positions include 2 or 3 financial companies (2nd tier in terms of size)
  - Largest positions
  - Within the top 10 long position which are pretty close in size each have around 35% of capital.
  - Most of the short positions are ETFs (such as EEM and SPY)although there are a few single names. There are some custom baskets such as SPY with some companies taken out.
  - Current portfolio gross exposure (Long Cash Positions + abs(short cash positions))/ capital is around 610% or $49.5bn and net exposure is 225% or $18.3bn
  - No change year over year. Archegos has 7 prime brokers and ISDA with 6 of them. The PBs are Morgan Stanley, Credit Suisse, Nomura, Wells Fargo, UBS, Deutsche Bank and Jefferies. Wells Fargo is the only PB with no ISDA.
  - Top PBs are Morgan Stanley, Credit Suisse, UBS and Nomura. The **top 3 P/Bs each have around 20% of the swap** exposure
  - There are 4 ISDA counterparties that are not PBs – MUFG, Mizuho, Macquarie, and Goldman. The swap balances with each of these counterparties is around the same.
  - **Cash Management**
  - Archegos does the cash management and has a soft target excess cash balance of 30% of capital. At December 31, 2020 cash balances were $2.4bn.

Laxmi
212-405-7195

FOIA Confidentiality Requested

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B. Misleading Broker Disclosures and the Failure of Portfolio Regimes

Internal credit applications and prime brokerage review logs document a critical vulnerability in standard Portfolio Margin (PM) regimes, where institutions failed to evaluate the macro liquidity profile of concentrated positions hidden across competing platforms.

- **The Static Long-Only PB Capture:** Under standard Portfolio Margin rules, broker-dealers (such as Wells Fargo Securities LLC) cleared long equity portfolios and American Depositary Receipts (ADRs) using a PM framework that permitted gross leverage up to 6-7x, specifying a minimum margin requirement of 15%. Archegos used this regime to transfer massive debit balances exceeding $1.8 billion from legacy providers like Deutsche Bank, anchoring a largely static long-only book in high-cap technology and internet sectors.

WELLS FARGO SECURITIES	Wholesale Counterparty Credit Risk Credit Review – Hedge Funds Incremental Request
Investment Manager	Archegos Capital Management, LLC
Fund(s) Name	Archegos Fund, LP

- **Directional Portfolio –** Archegos holds a directional, long-only portfolio of securities in its PB portfolio at WFS. Given its directionality, the portfolio at WFS remains vulnerable to a decline across developed equity markets, particularly in technology and FAANG stocks. Note, Archegos obtains the majority of its short exposure through swaps at other providers.
    - Mitigant – In addition to the excess collateral at its prime brokers, Archegos holds $1Bn in cash and cash equivalents at a third party custodian. The cash reserve can be used to meet margin calls. The portfolio is also very liquid, which provides them with the ability/option to liquidate to meet calls, when required.

EXPOSURE & RELATIONSHIP SUMMARY

Relationship Summary – Archegos is a new PB client that began clearing in September 2018. The fund's PB activity is cleared on the broker-dealer (WFSLLC) under the PM margin regime. This margin methodology allows for a maximum of 6-7x in gross leverage (minimum margin requirement of 15%).

On September 6th, 2018, Archegos transferred over ~$970M of equity securities, resulting ~$800M in debits. This was followed by a second transfer on September 10th, 2018. The second transfer included an additional ~$950M of equity securities and resulted in an additional ~$966M in debits. A large percentage of the balances were transferred over from Deutsche Bank.

Following the two transfers, Archegos became one of the largest PB clients by debit balances, totaling $1.8Bn, as of October 3rd, 2018. The portfolio has remained largely static since the initial transfers.

Exposure – Archegos is currently clearing a portfolio of liquid, large cap US equity securities and ADRs of large, Asia based equity issuers. This is a long only portfolio (the manager does the large majority of its short business on swap, at other providers) and includes 24 positions. The portfolio is heavily invested in the tech and internet sectors and includes many of the FANG + BAT constituents. Archegos has been invested in its largest positions for several years.

At present, the portfolio carries a long market value of $2.2Bn. PB Equity totals $425M. The fund also holds excess collateral equal to $82M at WFS. Since the initial transfer, Archegos has maintained excess collateral between $70M and $90M at WFS.

The portfolio currently includes a margin requirement of $342M. The requirement is largely driven by PB Risk's base calculation, with a smaller amount driven by a sector add-on. The weighted average portfolio requirement totals 15.3%.

Currently, there is no PFE on this portfolio. The PB margin requirement provides over 2x coverage of the PEAC pre-collateral stress ($152M). In addition, the PB margin requirement comfortably exceeds the portfolio's 5 day, 99.7% VAR ($209M).

Portfolio Overview	USO
Long Market Value	$2,238,807,232
Short Market Value	-
Net Market Value	$2,238,807,232
PB Equity	$425,185,310
Margin Requirement	$342,999,697
Debit Balance	$1,813,621,922
Leverage	5.27X

Top 10 Positions:

TKR	ISSUER	LMV	% OF LMV	TYPE
BABA	ALIBABA GROUP HOLDING	264,977,286	11.8%	ADR
BIDU	BAIDU INC	223,741,381	9.99%	ADR
AMZN	AMAZON COM INC	210,517,292	9.40%	CMN STOCK
NFLX	NETFLIX INC	209,845,669	9.37%	CMN STOCK
MSFT	MICROSOFT CORP	203,390,220	9.08%	CMN STOCK
AAPL	APPLE INC	191,857,607	8.56%	CMN STOCK

WELLS FARGO SECURITIES	Wholesale Counterparty Credit Risk Credit Review – Hedge Funds Incremental Request
Investment Manager	Archegos Capital Management, LLC
Fund(s) Name	Archegos Fund, LP

GOOGL	ALPHABET INC-CL A	185,900,798	8.30%	CMN STOCK
GOOG	ALPHABET INC-CL C	183,167,182	8.18%	CMN STOCK
FB	FACEBOOK INC-A	165,816,016	7.40%	CMN STOCK
FDC	FIRST DATA CORP- CLASS A	124,026,118	5.53%	CMN STOCK
TOTAL	-	**1,963,239,568**	**87.69%**	-

- As of October 3rd, 2018

- **The Structural Short Hiding Place:** To preserve the low-risk appearance of its long-only PM books, the fund structurally migrated the vast majority of its short market exposure off the prime brokers' balance sheets. Short block positions were executed entirely as synthetic equity swaps at detached, non-clearing providers. This design successfully deceived credit teams into believing the fund maintained a conservative, liquid, and easily salvageable profile backed by standalone cash reserves.

- **The Rolling Average Gross Exposure Fraud:** When historical positions—such as a substantial short position in Tesla (TSLA)—failed to perform in early 2020 and drove the fund down 70% year-to-date, prime brokers increased their frequency of risk inquiries. To suppress these flags, fund executives (including CFO Patrick Halligan and Finance Director Scott Becker) fabricated an internal mathematical filter. Halligan directed the creation of monthly reports that calculated a rolling "year-to-date average gross exposure". This metric mathematically diluted and understated the firm's true, active gross exposure at the time of the bank inquiries, providing a fundamentally misleading risk baseline to clear daily margin queries.

If these conditions are met, CB feels that the proposed activity is both soundly structured and appropriately sized to an ultimately creditworthy, albeit riskier, counterparty. Although BMO's risk appetite should not necessarily follow that of competitors, CB recommends structural protections that are consistent with commercial industry practice in approaching this activity & believes has kept a large number of reputable banks comfortable with Archegos. The margin of safety is significant. Even at March 2020's NAV $1.48Bn, the fund would still be a sizeable fund in the industry overall, and without the potential pressure of investor redemptions. Activity would still be sized appropriately small and after initial margin, uncollateralized PFE risk would be de-minimis.

Source of Repayment

- Primary: hedge fund's operating cash flow
- Secondary: collateral embedded in the trade; daily MTM with $0 threshold and $250K MTA.

Historical Financial Analysis

September 2020 – based on due diligence call

- The fund's NAV was $4.38Bn as of September 2020 month-end., up from $3.5Bn FYE2019. YTD performance was +20.1%.
- Long exposure was 465%, short exposure was 185% measured at notional. All positions were cash equities or equity swaps.
- The long portfolio consisted of 115 names, 25 of which were above 2% of NAV. The short portfolio is composed of two components: (i) alpha shorts (ii) hedges. The alpha short portfolio had 40 names, 22 of which were over 2% of NAV. The hedge portfolio is mainly constructed using ETF's such as SPY, EEM, and FXI.
- The top 10 longs were 350% of NAV.
- Per Mr. Becker, due to the dramatic increase in equity prices during the Q2-Q3 2020, the geographic focus of the portfolio had shifted somewhat. Earlier in the year, the fund's largest positions were major U.S. tech names such as Microsoft, Apple, Amazon, Facebook, Netflix, and Tesla (TSLA short.) The fund began taking profits on these names throughout Q3, partially recycling capital into some Chinese ADR's. The three main themes in the portfolio remain the above U.S. technology stocks, Chinese technology names (Alibaba and Baidu are major positions,) as well a U.S. financials.
- Unencumbered cash was 30% of NAV, at target. This was down from 42% in the summer when the firm was still more cautious redeploying risk. Margin with counterparties averaged 11.5% of GMV.

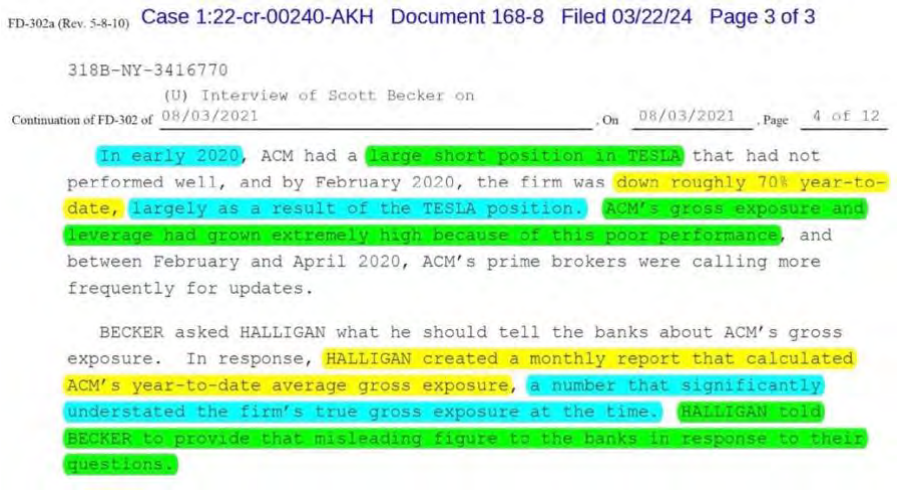
Audited financials, December 31, 2019

- The audits are fairly detailed in terms of the funds' positioning, as it is mostly long/short global equities and swaps (reported at notional values in additional fair value.) Other than the repositioning described by Mr. Becker above, he also indicated the audits present a fair representation of the fund's major exposures and trading patterns, again highlighting that the trade horizon tends to be long-term. A summary of the fund's largest positions, geographic, and sector exposures as of year-end are below. Figures are expressed as a % of NAV, and ADR's as the home-country of the issuer.

Country	Long	Short
U.S.	255.4%	177.0%
China	118.3%	21.1%
South Korea	0.6%	41.7%
Japan	4.5%	26.2%
Germany	5.4%	
U.K.	1.9%	
Netherlands	0.2%	
Spain		0.1%
Sweden		0.1%
Italy	0.0%	
Australia	0.0%	
Total	**386.4%**	**266.1%**

Sector	Long	Short
Internet, Media, & Telecom	267.0%	15.2%
Financial	74.0%	43.7%
Index		114.1%
Retail	24.0%	58.0%
Info. Technology	18.4%	4.5%
Automotive	0.1%	19.3%
Pharmaceuticals		7.3%
Consumer Staples	0.0%	2.0%
Health Care		1.9%
ETF	1.0%	
Real Estate	0.7%	
Transportation	0.6%	
Professional Services	0.2%	
Airline	0.2%	
Portfolio Swap	0.1%	

Issuer	Long	Short
Other	55.4%	112.7%
SPY		114.1%
Amazon	66.2%	
Alibaba	37.9%	
Baidu	29.2%	
Netflix	26.9%	
Fiserve Inc.	26.3%	
IQIYI Inc.	25.7%	
Apple	23.4%	
Fast Retailing		19.9%
Tesla		19.3%
Microsoft	18.2%	
Facebook	14.0%	
Vipshop Holdings	12.2%	
Alphabet - A	11.7%	



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318B-NY-3416770

Continuation of FD-302 of (U) Interview of Scott Becker on 08/03/2021, On 08/03/2021, Page 4 of 12

In early 2020, ACM had a large short position in TESLA that had not performed well, and by February 2020, the firm was down roughly 70% year-to-date, largely as a result of the TESLA position. ACM's gross exposure and leverage had grown extremely high because of this poor performance, and between February and April 2020, ACM's prime brokers were calling more frequently for updates.

BECKER asked HALLIGAN what he should tell the banks about ACM's gross exposure. In response, HALLIGAN created a monthly report that calculated ACM's year-to-date average gross exposure, a number that significantly understated the firm's true gross exposure at the time. HALLIGAN told BECKER to provide that misleading figure to the banks in response to their questions.

C. The One-to-One Hedging Decoupling and Sub-Ledger Netting Omissions

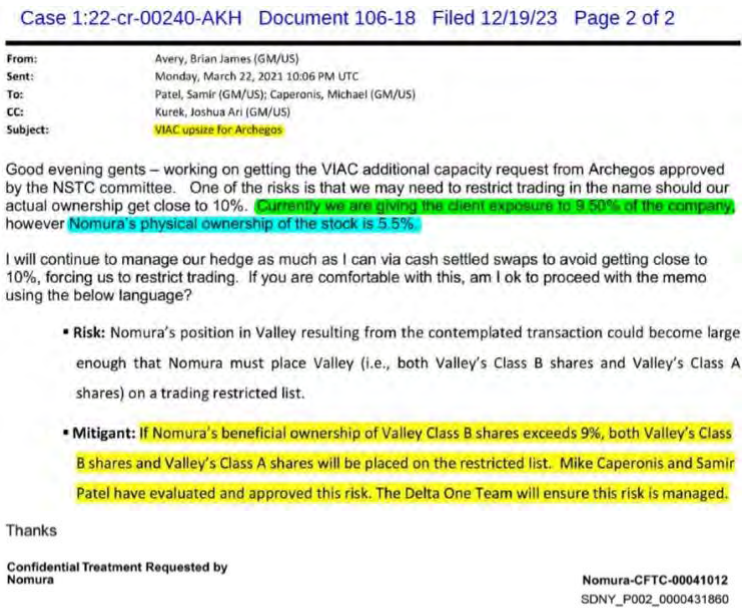
Regulatory enforcement transcripts and institutional filings show that the standard regulatory assumption that swap counterparty banks hold physical hedges on a strict 1:1 basis with outstanding client swaps is inaccurate, undermining basic transparency tracking.

- **The 13(f) Disclosure Disconnect:** Institutional Form 13F-HR quarterly filings systematically expose a significant gap between reported bank holdings and actual synthetic economic exposure. For example, SEC dockets from September 30, 2020, show that while Credit Suisse reported holding 2,088,120 physical shares of Baidu stock on its balance sheet, it was simultaneously running an economic swap exposure for Archegos totaling 6,968,500 shares of the exact same security. Similarly, Goldman Sachs reported 2,754,520 physical shares of Discovery A stock at year-end 2020 while maintaining a synthetic swap exposure for a single client of 7,531,577 shares.
- **The Myth of Floating Domination:** This systematic multi-million-share variance disproves the regulatory thesis that prime brokers act as passive, one-to-one mirrors of synthetic orders. Brokers did not hold matching physical inventory for the duration of the swap contracts, meaning that public reporting metrics completely failed to map the true volume of underlying shares locked in synthetic leverage loops.
- **Sub-Ledger Short Netting Evasion:** This tracking disconnect was exacerbated by how banks structured internal reporting via divided sub-ledger accounts. If Client A held 100 shares of a security short and Client B purchased 100 shares long, the prime broker's internal sub-ledgers allowed the positions to net to zero. The firm would report the shares as a long position on public disclosures, and would only enter the live lit marketplace to purchase physical shares at the exact moment an execution or manual unwind was requested, creating artificial supply spikes completely disconnected from historical disclosures.

D. Regulatory Ownership Avoidance and Internal Market Manipulation

Internal trading logs and communications between prime brokerage desk managers illustrate how institutional counterparties knowingly adjusted physical equity tracking methods to avoid crossing critical statutory disclosure thresholds.

- **The 10% Ownership Restricted List Loophole:**
  - **The Delta One Threshold Evasion:** Internal risk memoranda from major swap providers (such as Nomura's Delta One trading desk) document an explicit awareness of regulatory reporting boundaries. In March 2021, during an aggressive upsize request for Viacom (VIAC) swap capacity, desk managers flagged that the fund's total economic exposure had reached 9.50% of the entire outstanding corporate issuer.
  - **The Physical vs. Synthetic Split:** To prevent Nomura's beneficial ownership from crossing the statutory 10% threshold—which would mandate immediate regulatory disclosure and place the security on a strict public trading restriction list—the bank modified its hedging architecture. While the client was given nearly 10% economic exposure, Nomura deliberately suppressed its physical stock ownership at exactly 5.5%, managing the remaining delta through unlisted, cash-settled swaps with secondary offshore entities. This structural bifurcation permitted continuous trading and capital expansion without triggering standard ownership alerts.



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From: Avery, Brian James (GM/US)
Sent: Monday, March 22, 2021 10:06 PM UTC
To: Patel, Samir (GM/US); Caperonis, Michael (GM/US)
CC: Kurek, Joshua Ari (GM/US)
Subject: VIAC upsize for Archegos

Good evening gents – working on getting the VIAC additional capacity request from Archegos approved by the NSTC committee. One of the risks is that we may need to restrict trading in the name should our actual ownership get close to 10%. Currently we are giving the client exposure to 9.50% of the company, however Nomura's physical ownership of the stock is 5.5%.

I will continue to manage our hedge as much as I can via cash settled swaps to avoid getting close to 10%, forcing us to restrict trading. If you are comfortable with this, am I ok to proceed with the memo using the below language?

- **Risk:** Nomura's position in Valley resulting from the contemplated transaction could become large enough that Nomura must place Valley (i.e., both Valley's Class B shares and Valley's Class A shares) on a trading restricted list.
- **Mitigant:** If Nomura's beneficial ownership of Valley Class B shares exceeds 9%, both Valley's Class B shares and Valley's Class A shares will be placed on the restricted list. Mike Caperonis and Samir Patel have evaluated and approved this risk. The Delta One Team will ensure this risk is managed.

Thanks

Confidential Treatment Requested by Nomura

Nomura-CFTC-00041012
SDNY_P002_0000431860

- **The Total Internalization Reality:** Internal chat logs between prime brokerage traders and fund staff confirm that high-volume swap matching allowed these actors to become the exclusive controllers of specific stock prices, rendering public market demand metrics irrelevant:
    - During extreme downward market turns in highly leveraged names (e.g., Viacom and Discovery), internal traders openly documented their market-dominating footprint, stating in internal messaging logs: *"We were literally the market."*
    - When underlying corporate issuers attempted to launch legitimate public equity capital raises based on inflated market prices, the deals routinely failed to fill because the apparent demand was completely synthetic. Traders noted that corporate boards misread the market demand because the stock's elevated price was entirely artificial, explicitly confirming: *"The stock wouldn't be anywhere close to where it was without us... We manipulated the stock price."*

Name	Message
Berger	But it might not have gotten here
***	
Sullivan	Do we know the avg price that Viacom's offering got filled? Look at foxa and dis versus our names. Shows you the risk of market of one I wonder what all the street chatter is saying. We could get found out
Berger	You think?
Chuang	I think so Cause this is extreme moves
Sullivan	Everyone is going to say why are foxa and dis hardly down But Viacom and disca down big
Chuang	And China
Sullivan	We were literally the market
Chuang	If every stock takes 10% off performance It's looking like 40-50% down
Sullivan	We manipulated the stock price
***	
Sullivan	https://www.google.com/amp/s/www.barrons.com/amp/articles/heres-why-viacomcbs-and-discovery-stocks-are-tumbling-today-51616610549
***	
Chuang	So they couldn't fill the full $2bn? Could only do 1.7? Even with that discount
Berger	Wow
Sullivan	That's really really bad Doing equity deal also dumb Viacom clearly misread the market demand because of us
Berger	When you say us as the market and why viac is down is because we are the only buyers?
Sullivan	Yes
Chuang	Viacom thought they were in a stronger position than they were
Sullivan	the stock wouldn't be anywhere close to where it was without us
Chuang	They thought investors loved them even at $100
Berger	Yeah. That makes sense
Chuang	So of course it made sense To raise equity
Sullivan	I haven't heard of a single investor who likes this stock
Berger	Me either
***	
Berger	Most investors I know are short viac
Chuang	Yup
Sullivan	Yup
Chuang	I'll bet pressing it too
Sullivan	All my friends are short viac

- To maintain these artificial price baselines, internal data teams regularly falsified daily reconciliation records. Trading desk employees actively adjusted internal Excel sheets and Bloomberg data pastes, deleting specific symbols (such as Pinduoduo - PDD or Apple - AAPL) from long sections to mask overnight portfolio cross-pulls and manually locking in hardened prices to circumvent basic corporate and regulatory compliance filters.

strategy makes no sense

06/22/2020 15:10:05 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: To avoid any questions, perhaps don't even add the new tsla short -- just adjust the realized

06/22/2020 15:10:11 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: yes

06/22/2020 15:10:16 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I think that's the way

06/22/2020 15:10:19 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I was about to type that

06/22/2020 15:10:21 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: cool

06/22/2020 15:10:31 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Yeah otherwise he'd start asking about pdd and aapl too

06/22/2020 15:10:48 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Btw- how many people are getting emails from fernanda right now to close out their aapl position?

06/22/2020 15:10:49 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: hehe

06/22/2020 15:10:56 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Well he'd probably wonder why he has a loss that size already from tsla too

06/22/2020 15:11:07 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Yeah that too.

06/22/2020 15:11:22 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Dude I'm not closing my APPLE

06/22/2020 15:11:27 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: No f'ing way

06/22/2020 15:11:35 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Compliance rule man

06/22/2020 15:11:41 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Bill rule man

06/22/2020 15:11:48 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Not regulatory or anything

06/22/2020 15:11:49 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Bill = compliance

06/22/2020 15:11:54 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Just fing stupid

06/22/2020 15:12:06 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Did you just punch the wall?

06/22/2020 15:12:12 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I'm ready to

06/22/2020 15:12:24 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: She just asked me to confirm my sbux shares

06/22/2020 21:27:10 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Hey $$

06/22/2020 21:27:18 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: What symbol did you use to price apple

06/22/2020 21:27:30 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: In the sheets?

06/22/2020 21:27:34 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: yeah

06/22/2020 21:27:45 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I'm checking now but greenies used aapl un

06/22/2020 21:27:55 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I think you're using something different maybe

06/22/2020 21:28:03 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: I pulled up the one that was in the sheets(excel) from when we last had it and used that

06/22/2020 21:28:28 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: =BDP("aapl UW EQUITY","LAST_PRICE")

06/22/2020 21:28:31 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Ok I'll use UW

06/22/2020 21:28:41 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: I went to jan 2 2020 sheets (excel)

06/22/2020 21:28:42 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Guess greenies were wrong for awhile

06/22/2020 21:28:48 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: And I took that formula

06/22/2020 21:28:50 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: cool

06/22/2020 21:28:52 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: But let me double check now

06/22/2020 21:28:57 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Nah nah

06/22/2020 21:29:00 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: I think you're good

06/22/2020 21:29:05 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Okay sweet

06/22/2020 21:29:15 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Let me check the four sheets too

06/22/2020 21:29:24 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Liek the price in those

06/22/2020 21:29:52 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Oh yeah good call

06/22/2020 21:29:52 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Nah I think it should be UN actually

06/22/2020 21:29:59 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: I just checked tho

06/22/2020 21:30:00 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Let me check something

06/22/2020 21:30:04 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Like all the sheets from jan

06/22/2020 21:30:09 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: When we had appl

06/22/2020 21:30:11 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Have uw

06/22/2020 21:30:25 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Which is the p&l we are incorporating

06/22/2020 21:12:55 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Cool so everyday with the four sheets now we have to delete out the PPDD symbol

06/22/2020 21:13:01 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: PDD synbol

06/22/2020 21:13:05 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: In the longs

06/22/2020 21:13:08 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: yup

06/22/2020 21:13:15 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: And then make sure that hardcode price is moved to sillujen row

06/22/2020 21:13:27 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Should be ok on the sillajen

06/22/2020 21:13:28 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Just writing that out for scott when he does am tomorow

06/22/2020 21:13:35 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: It's the 4th smallest name in the short book

FOIA Confidential Treatment Requested-S1230350326 BBG00007534
SDNY_SWR_0000004117

06/22/2020 21:13:40 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Word

06/22/2020 21:13:43 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: Teamwork

06/22/2020 21:13:43 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Where does pdd get deleted?

06/22/2020 21:13:44 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Yeah but if order changes

06/22/2020 21:13:44 UTC DAVID HOHLMAN (DHOHLMAN1@Bloomberg.net) posted: dreamwork

06/22/2020 21:13:54 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: When u paste in the combo

06/22/2020 21:14:03 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Delete the actual symbol from the long section

06/22/2020 21:14:05 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: In that combo

06/22/2020 21:14:20 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Just the combo tab?

06/22/2020 21:14:24 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: yeah

06/22/2020 21:14:28 UTC SCOTT BECKER (SBECKER15@Bloomberg.net) posted: Cool thx

06/22/2020 21:14:55 UTC JESSE MARTZ (JMARTZ4@Bloomberg.net) posted: Yeah if u don't do that you'll end up seeing the short section starts pulling longs

swap transactions allegedly manipulated the market (*see* Opposition to Motion to Dismiss at 64-66, ECF 53), leaving the defense to guess among the thousands of swap transactions over the charged time period.

The request for data regarding the unwinding of the hedges is equally relevant and specific. Data on the unwinding of hedges is critical because of the government's theory that Archegos "dominate[d] the marketplace for the[] securities[.]" (Indictment ¶¶ 26-27). The government improperly assumes that each Counterparty held its hedge for the duration of the swap, thereby reducing the number of freely traded shares in the security. However, documents available through the United States Securities and Exchange Commission's ("SEC") Electronic Data Gathering, and Retrieval System contradict the government's hypothesis. For example, Credit Suisse filed a Section 13(f) disclosure showing that on September 30, 2020, it held approximately 2,088,120 shares of Baidu stock. Credit Suisse AG, Quarterly Report Filed by Institutional Managers, Holdings (Form 13F-HR) 393 (Nov. 13, 2020). But at the time, Archegos had economic exposure to approximately 6,968,500 shares of Baidu through swaps with Credit Suisse. Similarly, a 13(f) disclosure filed by Goldman Sachs shows that on December 31, 2020 it held 2,754,520 shares of Discovery A stock, whereas at the time, Archegos had economic exposure to approximately 7,531,577 shares of Discovery A through swaps with Goldman. Goldman Sachs Group Inc., Quarterly Report Filed by Institutional Managers, Holdings (Form 13F-HR) 80 (Feb. 12, 2021). In other words, the government's assumption that Archegos's Counterparties held their hedges on a one-to-one basis with the swaps is fundamentally wrong, undermining the government's theory that Archegos "dictated" the Counterparties' hedging transactions and thereby "dominated" the float of the relevant stocks. (Indictment ¶ 27). The defense is entitled to the specific transaction data that will prove this point.

III. Total Return Swaps, Synthetic Market Power, and Regulatory Evasion

Forensic bankruptcy tracking, corporate filings, and regulatory enforcement dockets reveal how complex equity swap agreements were structurally deployed to amass artificial market power, obscure true position sizes, and bypass standard oversight frameworks.

- **The Swap Counterparty Protocol:** In traditional synthetic prime brokerage models—such as the formats executed by Nomura International plc or Credit Suisse First Boston (CSFB)—the explicit terms of Synthetic Prime Brokerage Master Confirmations (SPBMC) dictate that the counterparty seeks solely to gain exposure to security price fluctuations. Under these specific contract terms, neither party acquires a direct ownership interest, a right to acquire or dispose of the underlying security, or voting/consent rights.

SCHEDULE 2

Form of SPB Transaction Supplement

This SPB Transaction Supplement is entered into between Nomura International plc ("**Nomura**") and [●] ("**Counterparty**" and, together with Nomura, the "**Parties**") on the Trade Date set forth below.

The purpose of this communication is to confirm the terms and conditions of the SPB Transaction entered into between Nomura and Counterparty on the Trade Date specified below. This SPB Transaction Supplement supplements, forms part of and is subject to the Synthetic Prime Brokerage Master Confirmation between the Parties dated [●], as may be amended and supplemented from time to time (the "**SPBMC**"), and, together with the SPBMC, the SPB General Terms Supplement, the applicable SPB Product Supplement and the Jurisdiction Supplement (if applicable) constitutes a "Confirmation" as referred to in the Agreement.

The terms of the SPB Transaction to which this SPB Transaction Supplement relates are as follows:

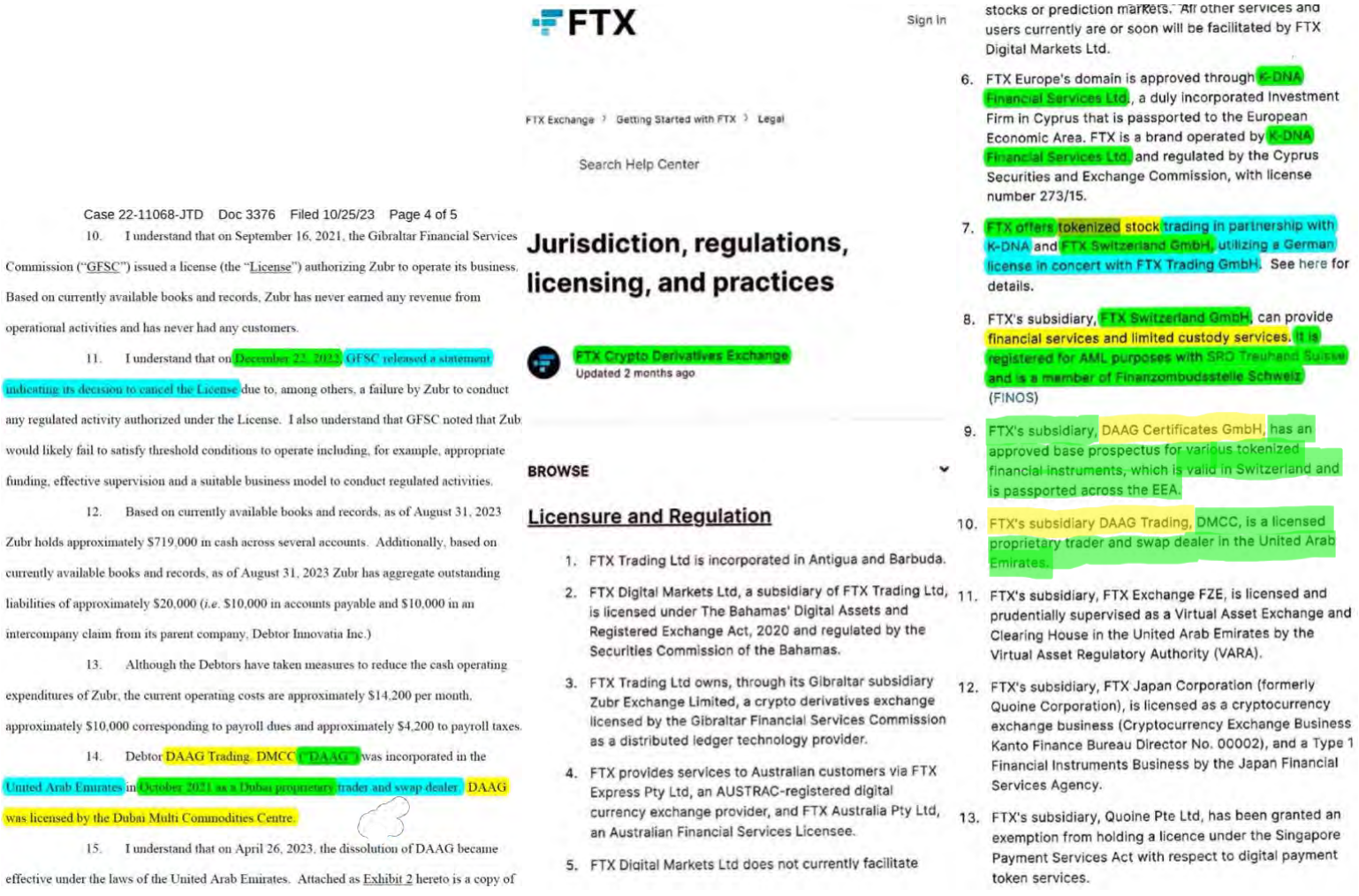
Product Identifier	RIC Code / ISIN	Underlying	SPB Product Type	Futures Price Valuation[1]	Multiplier	Maturity Date	Trade Date	Effective Date	Long / Short / Unwind
			[SPB Bonds] [SPB Shares] [SPB Custom Basket] [SPB Index] [SPB Futures]	[Applicable][Not Applicable]					

Number of Units	Initial Price / Final Price[2]	FX Rate	Dividend / Distribution Percentage	Transaction Spread (bps)	Fee Adjustment (bps)	Related Exchange	Combined Synthetic Payment	Synthetic Payment Adjustment	Synthetic Payment Date
							[Applicable][Not Applicable]	[●], or otherwise notified by Nomura to Counterparty from time to time in accordance with the SPBMC.	[Each Cash Settlement Payment Date] [3 Currency Business Days after the next Valuation Date defined in the SPB Bonds General Terms Supplement] [The Termination Date]

Floating Amount Payer Payment Dates	Valuation Dates	Floating Rate Option
[Each Cash Settlement Payment Date] [[1st] Business Day of each month and each Unwind Cash Settlement Payment Date] [Last SPB Business Day of each month and each Unwind Cash Settlement Payment Date]	[•] / [1st Scheduled Trading Day of each month] / [Each Scheduled Trading Day] / [(a) 1st February, 1st May, 1st August and 1st November in each year from the Effective Date to the Termination Date, or in each case if not a Scheduled Trading Day, the next following Scheduled Trading Day and (b) the Scheduled Trading Day falling one Settlement Cycle prior to the Termination Date]	[AUD-SWAP-OIS-RBA] [HIBOR-HKAB] [JPY-LIBOR-ICE] [NZD-OCR-RBNZ] [SGD-SIBOR-ABS] [USD-LIBOR-ICE] [GBP-LIBOR-ICE] [EUR-EURIBOR-EBF]

[2] This will be the "Initial" where the SPB Transaction is a short or long and Final Price where the SPB Transaction is an Unwind.

- **Concealment and Price Manipulation:** As detailed in enforcement proceedings (e.g., *SEC v. Archegos Capital Management*), head traders and institutional actors utilized these security-based swaps to quietly accumulate dominant market power in specific U.S. exchange-traded equities. Because the positions were structured as database entries and cash-settled synthetic exposures rather than direct equity purchases, the true size of the fund's concentrated holdings was systematically concealed from the public market and transactional counterparties. Once sufficient market power was generated, funds actively manipulated underlying stock prices—buying large blocks during negative news cycles or targeting lower-volume premarket windows to artificially inflate long positions and maximize variation margin collections.
- **The Crypto-Asset Swap Conduit:** This exact synthetic prime brokerage blueprint was duplicated within the international cryptocurrency exchange network to move and obscure capital. In October 2021, the corporate ecosystem established DAAG Trading, DMCC ("DAAG") in the United Arab Emirates, specifically licensed as a Dubai proprietary trader and swap dealer.



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10. I understand that on September 16, 2021, the Gibraltar Financial Services Commission ("GFSC") issued a license (the "License") authorizing Zubr to operate its business. Based on currently available books and records, Zubr has never earned any revenue from operational activities and has never had any customers.

11. I understand that on December 22, 2023, GFSC released a statement indicating its decision to cancel the License due to, among others, a failure by Zubr to conduct any regulated activity authorized under the License. I also understand that GFSC noted that Zub would likely fail to satisfy threshold conditions to operate including, for example, appropriate funding, effective supervision and a suitable business model to conduct regulated activities.

12. Based on currently available books and records, as of August 31, 2023 Zubr holds approximately $719,000 in cash across several accounts. Additionally, based on currently available books and records, as of August 31, 2023 Zubr has aggregate outstanding liabilities of approximately $20,000 (*i.e.* $10,000 in accounts payable and $10,000 in an intercompany claim from its parent company, Debtor Innovatia Inc.)

13. Although the Debtors have taken measures to reduce the cash operating expenditures of Zubr, the current operating costs are approximately $14,200 per month, approximately $10,000 corresponding to payroll dues and approximately $4,200 to payroll taxes.

14. Debtor DAAG Trading, DMCC ("DAAG") was incorporated in the United Arab Emirates in October 2021 as a Dubai proprietary trader and swap dealer. DAAG was licensed by the Dubai Multi Commodities Centre.

15. I understand that on April 26, 2023, the dissolution of DAAG became effective under the laws of the United Arab Emirates. Attached as Exhibit 2 hereto is a copy of

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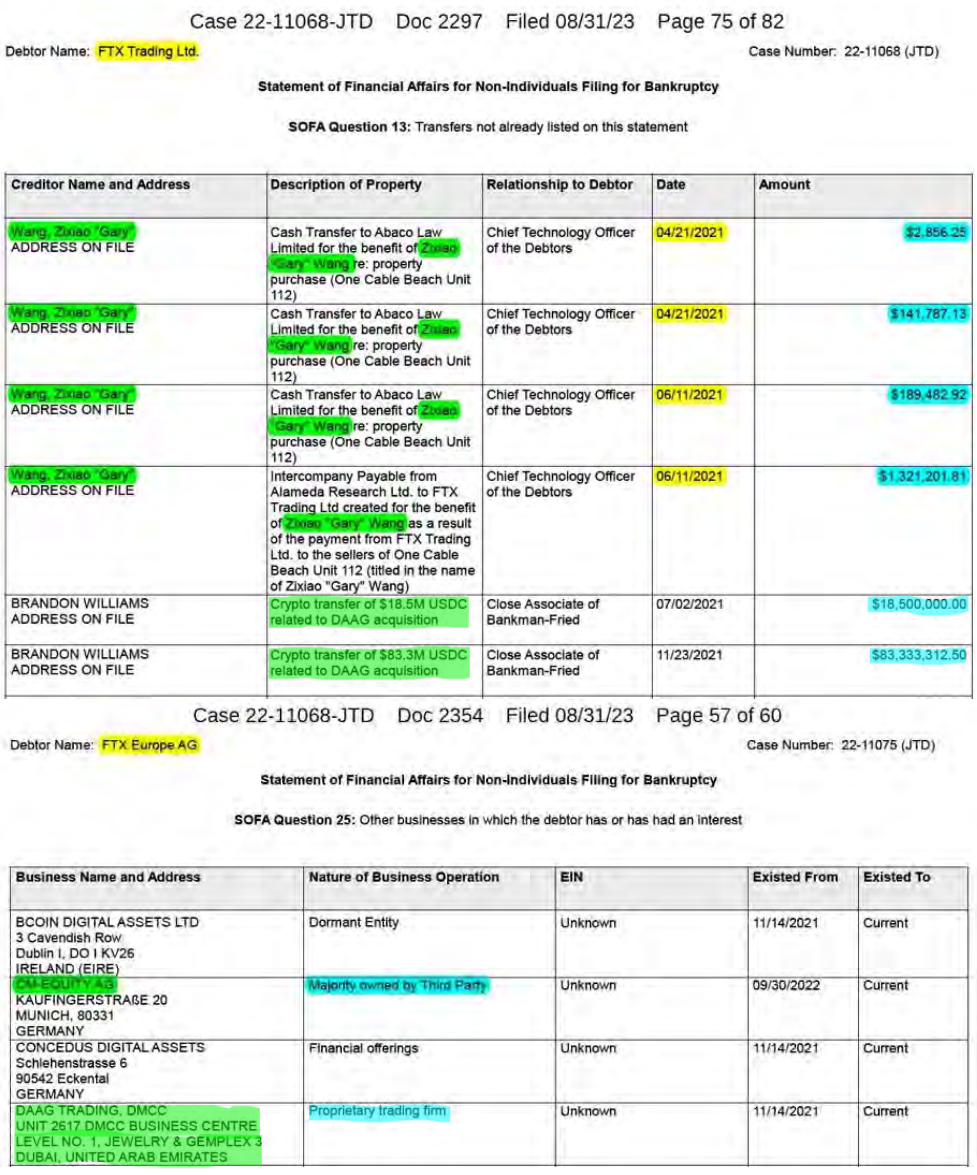
FTX Crypto Derivatives Exchange
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Licensure and Regulation

1. FTX Trading Ltd is incorporated in Antigua and Barbuda.
2. FTX Digital Markets Ltd, a subsidiary of FTX Trading Ltd, is licensed under The Bahamas' Digital Assets and Registered Exchange Act, 2020 and regulated by the Securities Commission of the Bahamas.
3. FTX Trading Ltd owns, through its Gibraltar subsidiary Zubr Exchange Limited, a crypto derivatives exchange licensed by the Gibraltar Financial Services Commission as a distributed ledger technology provider.
4. FTX provides services to Australian customers via FTX Express Pty Ltd, an AUSTRAC-registered digital currency exchange provider, and FTX Australia Pty Ltd, an Australian Financial Services Licensee.
5. FTX Digital Markets Ltd does not currently facilitate stocks or prediction markets. All other services and users currently are or soon will be facilitated by FTX Digital Markets Ltd.
6. FTX Europe's domain is approved through K-DNA Financial Services Ltd., a duly incorporated Investment Firm in Cyprus that is passported to the European Economic Area. FTX is a brand operated by K-DNA Financial Services Ltd. and regulated by the Cyprus Securities and Exchange Commission, with license number 273/15.
7. FTX offers tokenized stock trading in partnership with K-DNA and FTX Switzerland GmbH, utilizing a German license in concert with FTX Trading GmbH. See here for details.
8. FTX's subsidiary, FTX Switzerland GmbH, can provide financial services and limited custody services. It is registered for AML purposes with SRO Treuhand Suisse and is a member of Finanzombudsstelle Schweiz (FINOS)
9. FTX's subsidiary, DAAG Certificates GmbH, has an approved base prospectus for various tokenized financial instruments, which is valid in Switzerland and is passported across the EEA.
10. FTX's subsidiary DAAG Trading, DMCC, is a licensed proprietary trader and swap dealer in the United Arab Emirates.
11. FTX's subsidiary, FTX Exchange FZE, is licensed and prudentially supervised as a Virtual Asset Exchange and Clearing House in the United Arab Emirates by the Virtual Asset Regulatory Authority (VARA).
12. FTX's subsidiary, FTX Japan Corporation (formerly Quoine Corporation), is licensed as a cryptocurrency exchange business (Cryptocurrency Exchange Business Kanto Finance Bureau Director No. 00002), and a Type 1 Financial Instruments Business by the Japan Financial Services Agency.
13. FTX's subsidiary, Quoine Pte Ltd, has been granted an exemption from holding a licence under the Singapore Payment Services Act with respect to digital payment token services.

- **Obscured Corporate Transfers:** Statement of Financial Affairs (SOFA) filings from the bankruptcy estate demonstrate that the acquisition and operation of this swap vehicle involved massive unrecorded capital movements, including an [$18.5 million USDC crypto transfer on July 2, 2021, followed by an $83.3 million USDC transfer on November 23, 2021, routed to close associates of Sam Bankman-Fried for the "DAAG acquisition".]



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Debtor Name: FTX Trading Ltd. Case Number: 22-11068 (JTD)

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

SOFA Question 13: Transfers not already listed on this statement

Creditor Name and Address	Description of Property	Relationship to Debtor	Date	Amount
Wang, Zixiao "Gary" ADDRESS ON FILE	Cash Transfer to Abaco Law Limited for the benefit of Zixiao "Gary" Wang re: property purchase (One Cable Beach Unit 112)	Chief Technology Officer of the Debtors	04/21/2021	$2,856.25
Wang, Zixiao "Gary" ADDRESS ON FILE	Cash Transfer to Abaco Law Limited for the benefit of Zixiao "Gary" Wang re: property purchase (One Cable Beach Unit 112)	Chief Technology Officer of the Debtors	04/21/2021	$141,787.13
Wang, Zixiao "Gary" ADDRESS ON FILE	Cash Transfer to Abaco Law Limited for the benefit of Zixiao "Gary" Wang re: property purchase (One Cable Beach Unit 112)	Chief Technology Officer of the Debtors	06/11/2021	$189,482.92
Wang, Zixiao "Gary" ADDRESS ON FILE	Intercompany Payable from Alameda Research Ltd. to FTX Trading Ltd created for the benefit of Zixiao "Gary" Wang as a result of the payment from FTX Trading Ltd. to the sellers of One Cable Beach Unit 112 (titled in the name of Zixiao "Gary" Wang)	Chief Technology Officer of the Debtors	06/11/2021	$1,321,201.81
BRANDON WILLIAMS ADDRESS ON FILE	Crypto transfer of $18.5M USDC related to DAAG acquisition	Close Associate of Bankman-Fried	07/02/2021	$18,500,000.00
BRANDON WILLIAMS ADDRESS ON FILE	Crypto transfer of $83.3M USDC related to DAAG acquisition	Close Associate of Bankman-Fried	11/23/2021	$83,333,312.50

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Debtor Name: FTX Europe AG Case Number: 22-11075 (JTD)

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

SOFA Question 25: Other businesses in which the debtor has or has had an interest

Business Name and Address	Nature of Business Operation	EIN	Existed From	Existed To
BCOIN DIGITAL ASSETS LTD 3 Cavendish Row Dublin I, DO I KV26 IRELAND (EIRE)	Dormant Entity	Unknown	11/14/2021	Current
CM-EQUITY AG KAUFINGERSTRAßE 20 MUNICH, 80331 GERMANY	Majority owned by Third Party	Unknown	09/30/2022	Current
CONCEDUS DIGITAL ASSETS Schlehenstrasse 6 90542 Eckental GERMANY	Financial offerings	Unknown	11/14/2021	Current
DAAG TRADING, DMCC UNIT 2617 DMCC BUSINESS CENTRE LEVEL NO. 1, JEWELRY & GEMPLEX 3 DUBAI, UNITED ARAB EMIRATES	Proprietary trading firm	Unknown	11/14/2021	Current

- **The Dissolution Path:** Just as synthetic positions in the traditional space are abruptly unwound to mitigate structural collapse, these off-shore shell operations were rapidly dismantled. [The Dubai Multi Commodities Centre (DMCC) Authority records indicate that the dissolution of DAAG Trading DMCC was finalized on April 26, 2023]—effectively wiping out the primary swap dealer vehicle utilized to process international synthetic product structures prior to comprehensive regulatory clawbacks.



IV. Order Mis-Marking and Compliance Omissions: The Integrity of CAT Reporting

A persistent and alarming vulnerability within current audit trails is the systemic failure of broker-dealers to accurately report short-sale order marks to the Consolidated Audit Trail, directly obscuring short-sale volume and short interest from regulatory watchdogs.

A. Systemic Failure to Mark Short-Sale Orders Accurately

The Commission's recent enforcement action under *In the Matter of Robinhood Financial LLC and Robinhood Securities, LLC* (File No. 3-22405) unmasked a chronic, multi-year failure of automated order-routing systems to accurately capture short-sale data. Between 2020 and 2023, structural defects in execution scripts resulted in millions of retail equity and options orders being mis-marked on external trade feeds. Specifically, broker-dealers routed or executed short-sale orders marked incorrectly as "long," directly falsifying the market data transmitted to the CAT.

B. Deletion and Omission of Compliance Ledger Records

Compounding this technical deficiency, internal audits have revealed instances where broker-dealers failed to retain and preserve required compliance records—including business-related communications via internal tools or Bloomberg chat systems—that detailed internal order exceptions, risk parameter changes, and manual system overrides. When firms systematically fail to preserve records documenting how internal trade desks manually adjusted risk sections or bypassed short-sale compliance scripts, the Commission's ability to use the CAT to reconstruct historical market manipulation is completely neutralized.

C. Systemic Coding Failures in Riskless Principal Logic

The threat of systemic mis-marking is further illustrated by the Commission's recent enforcement action *In the Matter of Citadel Securities, LLC* (File No. 3-21703). As one of the largest broker-dealers in the U.S. equities markets—responsible for executing approximately 35% of all U.S.-listed retail volume and 22% of total U.S. equities volume—the firm's internal automated tracking failures emphasize how easily major liquidity providers can distort data fed to regulatory audit trails.

Over a five-year period from September 2015 through September 2020, a coding error in Citadel Securities' trading logic resulted in an estimated millions of sell orders being inaccurately marked. The deficiency arose directly from the handling of schedule-based, "not-held" client orders filled on a riskless principal basis.



- **The Mechanics of the Defect:** To execute these trades, the firm utilized a back-to-back transaction sequence: routing a principal order to the market via multiple smaller "child orders" (the Street-Side Leg) and entering into a contemporaneous, offsetting trade with the broker-dealer client at identical pricing and sizing (the Client-Side Leg).
- **The Deferral Vulnerability:** At the request of a limited set of institutional clients seeking to minimize electronic message traffic, Citadel Securities deferred transmitting execution reports to the clients (known as "roll-up" transactions) until designated intra-day intervals or until the parent order was fully complete.
- **The Aggregate Position Distortion:** While the market-facing Street-Side Leg updated the firm's position calculation system without delay, a coding error caused the firm's order-marking system to delay updating the offsetting Client-Side Leg executions until the deferred execution report was finally sent to the client.
- **The Order Marking Contagion:** This artificial processing delay lasted for minutes and, in some cases, up to several hours. Consequently, during periods where the firm's inventory in an impacted symbol approached zero, the intraday calculation inaccuracies caused subsequent proprietary sell orders in that same symbol to cross zero blindly— mis-marking short sales as long sales and long sales as short sales.

This algorithmic blindness persisted completely by the firm's mandated annual reviews, daily end-of-day order marking reports, and intraday monitors for five years. Furthermore, these corrupted order markings were systematically integrated into Electronic Bluesheet (EBS) data submitted to the Commission and SROs, directly degrading the integrity of regulatory surveillance data. This failure demonstrates that without real-time, independent validation of riskless principal legs within the CAT architecture, institutional automated systems can distort macro order-marking metrics across millions of transactions without triggering basic oversight compliance alarms.

D. Regulation SHO Violations, Fractional Trading, and Net Proprietary Omissions

Forensic regulatory examinations and compliance enforcement findings outline how systematic processing failures in structural inventory tracking led to massive, multi-year reporting violations under Regulation SHO ("Reg SHO").

- **Stock Lending and Fail-to-Deliver Omissions:** Regulatory audits show that Robinhood Securities failed to maintain basic compliance with Reg SHO protocols. Most notably, from May 2019 until March 2020, the firm routinely failed to execute timely close-outs on fails-to-deliver that directly resulted from its high-volume stock lending activities.

4. Fractional Share Trading and Stock Lending: Robinhood Securities failed to comply with Regulation SHO ("Reg SHO") in connection with stock lending and fractional trading programs. From May 2019 until March 2020, Robinhood Securities did not timely close out fails to deliver resulting from its stock lending activities. Additionally, from at least December 2019 until December 2023, Robinhood Securities effected millions of principal short sales relating to fractional shares trades that it mismarked as "long" because it lacked the ability to calculate its net proprietary position at the time of its sale orders. From December 2019 until May 2022, Robinhood securities mismarked millions of short sale riskless principal orders relating to fractional share trades as "long" because it improperly marked the orders based on its customers' positions rather than its proprietary positions. Then, from May 2022 until December 2023, Robinhood Securities mismarked an additional 4.5 million riskless principal orders relating to fractional shares trades as "short exempt" even though Robinhood Securities did not satisfy all the conditions for doing so.

41. From December 2019 until December 2023, Robinhood Securities mismarked more than 15 million principal short sales as "long."

b. Reg SHO Violations Relating to Riskless Principal Transactions

i. Robinhood Securities Improperly Marked Short Sale Riskless Principal Orders "Long" Based on Customers' Positions

42. Reg SHO Rule 201(a)(8) states that the term "riskless principal" shall mean a transaction in which a broker or dealer, after having received an order to buy a security, purchases the security as principal at the same price to satisfy the order to buy, exclusive of any explicitly disclosed markup or markdown, commission equivalent, or other fee, or, after having received an order to sell, sells the security as principal at the same price to satisfy the order to sell, exclusive of any explicitly disclosed markup or markdown, commission equivalent, or other fee.

43. When Robinhood Financial launched Fractional Trading in December 2019, Robinhood Securities' systems were designed to facilitate customer orders through a combination of riskless principal transactions and principal transactions. (All references to riskless principal sales orders in this section refer to Fractional Trading riskless principal sale orders.) For example, if a Robinhood Financial customer placed an order to sell 100.5 shares of a security, Robinhood

48. From December 2019 until May 2022, Robinhood Securities mismarked as "long" over 58 million Fractional Trading riskless principal short sale orders based on its customers' underlying positions when it should have marked the orders "short" based on its net position.

ii. Robinhood Securities Improperly Marked Short Sale Riskless Principal Orders and Short Sale Principal Orders as "Short Exempt"

- **The Net Proprietary Tracking Deficit:** When fractional share trading was launched in December 2019, systems were constructed without the technical capability to calculate real-time net proprietary positions across internal clearing accounts. Consequently, from December 2019 until December 2023, Robinhood Securities executed and mismarked more than 15 million principal short sales as "long" orders because it did not reconcile its internal firm-wide positions at the time the sales orders were processed.
- **Customer-Facing Compliance Marking Deflection:** To mask this inventory tracking deficit, the clearing system shifted its compliance tracking metrics outward. For multiple years, the firm systematically marked short sale orders based entirely on individual customer long positions rather than validating the clearinghouse's actual, net proprietary firm position.

E. The Riskless Principal Loophole and Fractional Share Mismarking

The exploitation of the "Riskless Principal" framework allowed clearing structures to mask short-selling obligations under the guise of customer-driven fractional order execution.

- **The Riskless Principal Mandate:** Under Reg SHO Rule 201(a)(8), a "riskless principal" transaction is strictly defined as an order where a broker-dealer, after receiving an explicit customer buy/sell order, purchases or sells the security as principal at the exact same price to satisfy that customer request, exclusive of disclosed markups, markdowns, or commissions.
- **The Fractional Share Matching Architecture:** In fractional trading structures, system routing protocols were designed to automatically satisfy incoming customer retail orders by splitting execution between riskless principal matching and firm-directed principal transactions. For example, if an account placed a request to sell 100.5 shares of an equity, the system would process 100 shares via traditional routing networks while handling the remaining 0.5 fractional segment as a principal transaction drawn from internal inventory books.
- **Systemic Multi-Million Order Mismarking:** Because the clearing infrastructure substituted underlying customer long statuses for firm-level inventory validations, from December 2019 until May 2022, Robinhood Securities improperly marked over 58 million Fractional Trading riskless principal short sale orders as "long".
- **The Short Exempt Abuse Loophole:** Following initial regulatory pushback in May 2022, the firm modified its compliance parameters but continued to violate Reg SHO rules. From May 2022 until December 2023, Robinhood Securities mismarked an additional 4.5 million fractional riskless principal orders as "short exempt," despite completely failing to satisfy the mandatory statutory conditions required to claim the exempt status.

V. Technical Amendment: Data Integrity, Mis-Marking, and Riskless Principal Order Capacity

Executive Summary of Data Concerns

While the Commission's proposal to prohibit volume-based transaction pricing for agency-related volume is a critical step toward fostering fair competition among broker-dealers, the structural integrity of this prohibition relies entirely on the accuracy of order marking. Because high-volume members retain a significant financial incentive to mischaracterize their order capacities to cross volume tier thresholds, the final rule must explicitly address the temporal and volume-based dynamics of riskless principal transactions.

The Consolidated Audit Trail (CAT) baseline sample from January 2023 highlights that while Riskless Principal orders constitute a smaller overall slice of the market, they represent a highly concentrated, vulnerable pool of order flow that could be weaponized to evade volume-tier restrictions.

Analysis of Riskless Principal Volume & Timeframes

The intersection of volume requirements and monthly resetting timeframes creates an environment ripe for order mischaracterization. We urge the Commission to consider the structural vulnerabilities exposed by the January 2023 CAT data:

TABLE 4—EXCHANGE TRADING VOLUME AND SHARE BY LIQUIDITY TYPE, JAN. 2023

[The following table breaks apart the total buy and sell executed order flow from all exchange members using a sample of CAT data for the month of Jan 2023. Exchange members are identified as the set of unique CRD IDs in CAT which have directly routed orders to any of the national equities exchanges in the month. Exchange member CRDs are also verified in the CAT Industry Member Identifier List daily reference data. For each exchange the number of shares executed under the CAT allowable trade capacities of Agency, Principal, and Riskless Principal are reported. Trade capacity in CAT is defined by the exchange member for its side of a trade and represents the capacity in which the exchange member acted at trade time. Trades with the sale condition codes–M—Market Center Official Close, –Q—Market Center Official Open, –V—Contingent Trade, –7—Qualified Contingent Trade (QCT), –8—Placeholder for 611 Exempt, and –9—Corrected Consolidated Close (per listing market) were excluded. The share of total trading volume across all exchanges for orders of a specific capacity are reported under the trading volume. The fourth column, "Total" reports the total trading volume for each exchange with the exchange's volume-based exchange market share reported below.]

Exchange	Agency	Principal	Riskless principal	Total
Nasdaq[b] (Maker-Taker)	42,381,231,425 32.04%	26,084,186,949 24.37%	256,443,292 13.90%	68,721,861,666 28.50%
NYSE[a] (Maker-Taker)	23,578,087,344 17.82%	15,663,850,087 14.64%	145,114,774 7.86%	39,387,052,205 16.33%
NYSE Arca[a] (Maker-Taker)	19,581,312,954 14.80%	19,600,669,528 18.31%	129,269,046 7.00%	39,311,251,528 16.30%
Cboe EDGX[c] (Maker-Taker)	13,478,973,097 10.19%	12,512,933,159 11.69%	677,345,568 36.70%	26,669,251,824 11.06%
Cboe BZX[c] (Maker-Taker)	9,612,667,056 7.27%	10,242,339,878 9.57%	367,462 0.02%	19,855,374,396 8.23%
MEMX (Maker-Taker)	6,308,673,864 4.77%	6,746,470,107 6.30%	186,541,931 10.11%	13,241,685,902 5.49%
IEX (Flat)	6,860,652,435 5.19%	3,905,276,620 3.65%	7,011,129 0.38%	10,772,940,184 4.47%
Cboe EDGA[c] (Inverted)	3,401,951,122 2.57%	2,289,187,280 2.14%	109,407,328 5.93%	5,800,545,730 2.41%
Cboe BYX[c] (Inverted)	1,950,854,778 1.47%	2,582,413,642 2.41%	131,506,520 7.13%	4,664,774,940 1.93%
MIAX Pearl (Maker-Taker)	1,803,716,409 1.36%	2,527,733,474 2.36%	153,910,919 8.34%	4,485,360,802 1.86%
NYSE National[a] (Inverted)	827,209,968 0.63%	1,489,403,927 1.39%	1,340,645 0.07%	2,317,954,540 0.96%
Phlx (PSX)[b] (Maker-Taker)	877,534,988 0.66%	1,342,954,596 1.25%	53,580 0.00%	2,220,543,164 0.92%
BX[b] (Inverted)	713,708,890 0.54%	965,538,116 0.90%	32,818,578 1.78%	1,712,065,584 0.71%
NYSE American[a] (Maker-Taker)	712,130,625 0.54%	818,767,495 0.77%	14,185,250 0.77%	1,545,083,370 0.64%
NYSE Chicago[a] (Flat)	177,946,002 0.13%	254,499,006 0.24%	120,789 0.01%	432,565,797 0.18%
LTSE (Free)	10,749,491 0.01%	1,411,063 0.00%	0 0.00%	12,160,554 0.01%
Total	132,277,400,448 100.00% 54.85%	107,027,634,927 100.00% 44.38%	1,845,436,811 100.00% 0.77%	241,150,472,186

- **The Monthly Reset Dynamic:** Exchange volume tiers are calculated in arrears and reset on a strictly monthly timeframe. Because a member's achieved tier applies retroactively to all executions transacted earlier in that month, a marginal increase in volume at the end of a monthly period exponentially increases the financial payout across billions of previously executed shares.
- **Volume Threshold Urgency:** This monthly timeframe creates a mathematical "cliff" toward the end of each calendar month. Members seeking to achieve specific tier targets face an intense economic incentive to aggregate and route order flow to a single venue to capture the highest possible rebate.



- **The Incentive to Mis-Mark Small-Pool Capacities:** According to Table 4 of the Commission's baseline data, Riskless Principal orders accounted for 1,845,436,811 shares, representing just 0.77% of total trading volume across all exchanges (241,150,472,186 total shares). Because the proposed rule strictly prohibits counting agency-related volume toward proprietary volume tiers, a structural firewall is created. However, lower-volume or sponsoring members facing a month-end shortfall have an intense economic motivation to mis-mark riskless principal orders as proprietary volume.
- **Concentration Risks on Specific Venues:** The temptation to mis-mark is structurally amplified on exchanges where Riskless Principal capacity is heavily concentrated. For instance, Cboe EDGX alone processed 677,345,568 Riskless Principal shares, capturing a staggering 36.70% share of the entire market's riskless principal volume. Nasdaq followed with 256,443,292 shares (13.90% share), and MEMX handled 186,541,931 shares (10.11% share). If bad actors are permitted to selectively mischaracterize these pools as proprietary volume during month-end scrambles, they can artificially inflate their proprietary volume metrics on these target exchanges to cross unfair rebate thresholds.

Statutory Scope of Riskless Principal Orders

To ensure the final rule effectively mitigates this evasion risk, the Commission must maintain a precise framework regarding order pricing:

Proposed Rule 6b-1 Definition: A riskless principal transaction is broadly defined as a transaction where a broker-dealer, after receiving a customer order, purchases or sells a security from another person to offset a contemporaneous leg to the customer, without retaining market risk.

Crucially, we support the Commission's deliberate omission of a "same price" requirement within this specific definition. If the rule required both legs of a riskless principal trade to execute at the exact same price, bad actors could easily evade the volume ban by altering the customer leg by the smallest fraction of a penny (e.g., an economically insignificant change) to artificially classify the trade as proprietary.

Recommendations for Anti-Evasion Rules and Post-Filing Transparency

To prevent the volume-based manipulation of riskless principal designations during these monthly end-of-period scrambles, the final rule must aggressively enforce the provisions of proposed Rule 6b-1(b) and (c):

1. **Mandatory Distinct Port Sourcing:** Exchanges must utilize their flexibility under proposed Rule 6b-1(b)(1) to mandate that members route proprietary orders through entirely separate, dedicated physical ports or sessions. Mixing proprietary and riskless principal orders on a single session should be strictly prohibited to eliminate automated billing mis-marking.



2. **Auditable Machine-Readable Tally Disclosures:** The 5-calendar-day monthly deadline for Inline XBRL table submissions must be rigidly maintained. This prompt timeframe is the only mechanism that allows the Commission and the public to cross-reference data changes within the critical 60-day statutory suspension window. If an exchange's monthly disclosure reveals an anomalous spike in proprietary volume corresponding with a drop in riskless principal volume at month-end, it provides an immediate data point to flag potential evasion or mis-marking.

VI. Retail Broker-Dealer Clearing Structures and Sub-Second Institutional Auctions

To demonstrate how internal retail clearing infrastructures interface with specialized institutional order-routing mechanics, the following structural breakdown links internal broker-dealer processing directly to sub-second institutional auction protocols and execution networks.

A. The Structural Convergence of Retail Broker-Dealer Clearing and Sub-Second Institutional Auctions

A precise investigation of the modern market structure reveals that retail-facing broker-dealers do not operate as isolated, simplified customer interfaces. Instead, firms like Embed Financial Technologies and Robinhood Securities function as intentional front-end collection points that feed directly into a heavily integrated network of institutional clearing mechanisms, off-shore shell platforms, and sub-second auction protocols designed to circumvent public market lit exchanges.

B. The Retail-to-Institutional Routing Funnel

The mechanical path of a retail customer order exposes a deliberate separation between the consumer interface and the underlying financial execution:

- **The Internal Clearing Gatekeeper:** Retail entities establish 100% owned clearing subsidiaries—such as West Realm Shires Inc.’s acquisition of Embed Financial Technologies or Robinhood Financial’s reliance on Robinhood Securities to take legal and beneficial ownership of incoming customer order flows.