



## **SUBMITTED VIA ELECTRONIC PORTAL (REGULATIONS.GOV)**

**Date:** August 8, 2026

**To:** Christopher Kirkpatrick, Secretary of the Commission

Commodity Futures Trading Commission

Three Lafayette Centre, 1155 21st Street, NW

Washington, DC 20581

**Re: Notice of Intent to Extend Collection 3038-0091: Disclosure and Retention of Certain Information Relating to Cleared Swaps Customer Collateral (17 CFR Part 22; OMB Control No. 3038-0091)**

## **EXECUTIVE SUMMARY**

On behalf of global retail market participants and systemic risk researchers ("**APES TOGETHER STRONG**"), we submit this comment letter in response to the Commodity Futures Trading Commission's ("CFTC" or "Commission") 60-day notice requesting an extension of Office of Management and Budget (OMB) Control No. 3038-0091 concerning the disclosure and retention of information relating to Cleared Swaps Customer Collateral under 17 CFR Part 22.

The Paperwork Reduction Act (PRA) mandates that proposed collections of information must possess demonstrated "practical utility" and accurately reflect the operational burden imposed on regulated entities. The Commission's current Part 22 reporting framework—encompassing daily computations under § 22.2(g), depository acknowledgment letters under § 22.5(a), customer identification and portfolio reporting under § 22.11, daily collateral calculations under § 22.12, default procedure disclosures under § 22.16, and withdrawal notifications under § 22.17—fails to maintain practical utility in its present form.

Legacy Part 22 reporting suffers from structural blind spots regarding off-balance-sheet total return swaps (TRS), sub-ledger netting evasion, multi-prime broker information vacuums, synthetic tokenization loops, 24/7 multi-signature and sidechain rehypothecation, and automated order/collateral mis-marking. These structural reporting deficiencies allow institutional actors to operate parallel internal ledgers, obscure gross synthetic leverage, and bypass central clearing oversight entirely.



As demonstrated by court filings and regulatory enforcement records, unmonitored off-balance-sheet liabilities, derivative re-lending, and cross-collateralizations across interconnected shadow banking and crypto-clearinghouse networks have expanded theoretical operational exposures from a baseline of **\$26.8 quintillion** up to an unprecedented **\$1.187 sextillion** in aggregate claims and liabilities.

Extending Collection 3038-0091 without mandating real-time, cross-venue synthetic transparency and cryptographic collateral verification perpetuates systemic opacity. We urge the Commission to revise and expand the information collection requirements under 17 CFR Part 22 as set forth below.

## I. FORENSIC ANALYSIS OF OFF-BALANCE-SHEET SWAPS & PART 22 REPORTING BLIND SPOTS (§ 22.2(g), § 22.11, § 22.12)

Section 724(a) of the Dodd-Frank Act added Section 4d(f) to the Commodity Exchange Act (CEA) to protect collateral provided by Cleared Swaps Customers. Under 17 CFR §§ 22.2(g), 22.11, and 22.12, Futures Commission Merchants (FCMs) and Derivatives Clearing Organizations (DCOs) are required to calculate, record, and report daily customer collateral requirements and portfolio rights. However, the current static, single-venue reporting model allows massive institutional exposure to remain completely invisible across multi-broker clearing networks.

### LEGACY PART 22 REPORTING VS. REAL-TIME SYNTHETIC LOOPS

Legacy Part 22 Reporting Framework (Static / Single-Venue Silos)

[FCM A / DCO A] —> Daily Computation (§ 22.2g) —> Isolated Visibility

[FCM B / DCO B] —> Daily Computation (§ 22.2g) —> Isolated Visibility

\* Result: Multi-broker gross leverage remains hidden from regulators.

Modern Off-Balance-Sheet Synthetic Architecture (Archegos / Swaps Model)

[Family Office / Fund] —> 7 Prime Brokers + 6 ISDAs + 4 Non-PB ISDAs

—> Total Exposure: \$69B+ (610% Gross / 225% Net)

—> Sub-Ledger Netting & 13(f) Disconnects

\* Result: Single-institution visibility capped at ~20%; Systemic Risk Unseen.

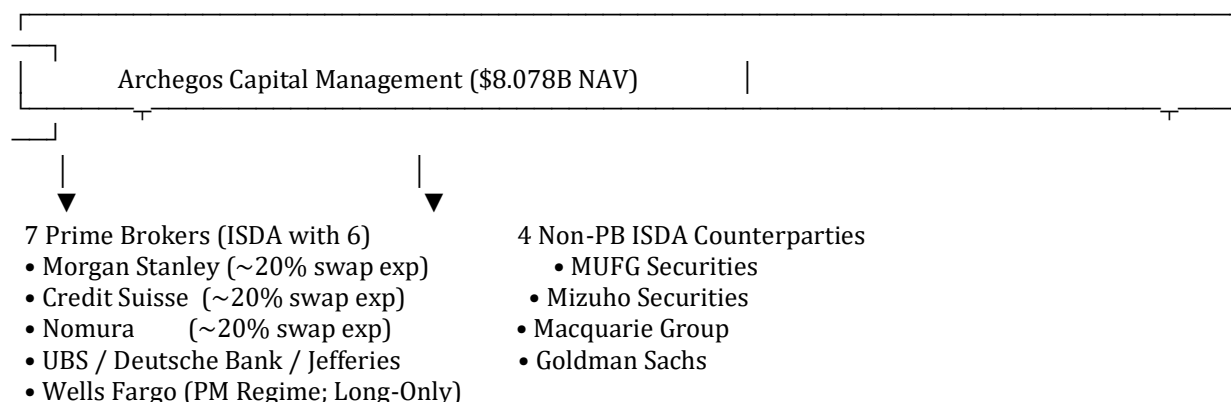


## A. The Archegos Multi-PB Information Vacuum & Synthetic Leverage

Forensic credit reviews and dockets from *SEC v. Archegos Capital Management, LLC* demonstrate how large family offices exploit multi-venue clearing structures to accumulate massive market power while deceiving prime brokers and clearinghouses:

- **Total Asset-to-Leverage Distortion:** Archegos began 2020 with \$3.4 billion in capital, suffered a 58% drawdown during Q1 2020 macro shocks, and subsequently manipulated internal reporting to reflect a surge to \$23 billion in capital by early 2021—achieving a Year-to-Date gross performance exceeding +134.3%.
- **Hyper-Concentration:** While reporting 110 long and 50 short positions to simulate diversification, 10 concentrated positions accounted for 300% of the fund's Net Asset Value (NAV), totaling over \$69 billion in exposure. Individual top-tier holdings commanded up to 35% of total AUM (\$7 billion to \$8.1 billion in market exposure per issuer).
- **Distributed PB Clearing Vacuum:** Archegos executed International Swaps and Derivatives Association (ISDA) master agreements across 7 prime brokers (Morgan Stanley, Credit Suisse, Nomura, Wells Fargo, UBS, Deutsche Bank, Jefferies) and 4 non-PB ISDA counterparties (MUFG, Mizuho, Macquarie, Goldman Sachs). By splitting swap portfolios equally—where the top 3 prime brokers each held roughly 20% of the swap exposure—no single clearing entity had visibility into the fund's true gross exposure (\$49.5 billion long/short cash exposure; 610% gross / 225% net).

Archegos Capital Management - Distributed ISDA / Prime Brokerage Structure



## B. Misleading Broker Disclosures & Portfolio Margin Failures

Under standard Portfolio Margin (PM) rules, broker-dealers cleared long equity portfolios allowing gross leverage up to 6–7x (15% minimum margin).



- **Wells Fargo Client Intake:** Archegos transferred over \$1.8 billion in debit balances from Deutsche Bank to Wells Fargo Securities LLC under a static, long-only PM book containing liquid mega-cap tech and ADRs.
- **Off-Balance-Sheet Short Migration:** To preserve the low-risk appearance of its long-only PM books, Archegos migrated the vast majority of its short market exposure off prime brokerage balance sheets into synthetic equity swaps at detached providers.
- **Rolling Average Gross Exposure Fraud:** When early 2020 short positions (e.g., Tesla short) caused severe drawdowns, fund executives (CFO Patrick Halligan and Finance Director Scott Becker) fabricated internal monthly reports calculating a rolling "year-to-date average gross exposure". This metric mathematically diluted active gross exposure during bank risk inquiries.

### C. 13(f) Disconnects, Sub-Ledger Netting, and Ownership Evasion

- **The 13(f) Reporting Disconnect:** SEC dockets reveal severe discrepancies between physical shares reported on Form 13F-HR and total synthetic exposure. On September 30, 2020, Credit Suisse reported holding 2,088,120 physical shares of Baidu (BIDU), while running an economic swap exposure for Archegos of 6,968,500 shares. Similarly, Goldman Sachs reported 2,754,520 physical shares of Discovery A (DISCA) at year-end 2020 while maintaining a synthetic swap exposure for a single client of 7,531,577 shares.
- **Sub-Ledger Short Netting Evasion:** Prime brokers used internal sub-ledgers to net Client A short positions against Client B long positions, reporting net long positions on public disclosures while only entering the live lit market during manual unwinds.
- **Delta One 10% Ownership Evasion:** In March 2021, during an upsize request for Viacom (VIAC) swap capacity, Nomura's Delta One desk noted that the fund's economic exposure reached 9.50% of the corporate issuer. To avoid crossing the statutory 10% beneficial ownership threshold—which would mandate public disclosure and place the security on a trading restricted list—Nomura capped its physical hedge at 5.5% and managed the remaining delta via cash-settled unlisted swaps. Internal chat logs show traders admitting: *"We were literally the market... We manipulated the stock price"*, while staff manually deleted symbols (e.g., Apple, Pinduoduo) from internal Excel/Bloomberg reconciliation sheets to bypass compliance filters.

## II. HISTORICAL ROOTS OF SHADOW FINANCE & SYNTHETIC COLLATERALIZATION

The structural evolution of off-balance-sheet swaps and synthetic collateral conduits traces directly back to institutional private banking practices developed over the past two decades.



## HISTORICAL EVOLUTION OF SYNTHETIC PIPELINE

2003-2010: JPM / Epstein GIO Desk

- Custom ISDA Master Agreements; Total Return Swaps (TRS) on AAPL/TWTR; 2x stock collateral haircuts.

2011-2013: Project Molecule (Gates DAF Pipeline)

- Proposed \$100B Donor Advised Fund to ingest illiquid "funky assets" (Art, 144 stock, Sub-S/C-Corps).
- Multi-jurisdictional conduits, anonymous netting, outsourced fiduciary cross-margining.

2014-2016: Crypto-Infrastructure & LedgerX Genesis

- Crypto Currency Partners II (Brock Pierce) funnels capital into Coinbase Series C via SVB.
- LedgerX pitch (2016): Replacing bank cash wires with 24/7 Bitcoin collateral & multi-sig escrow.

2017-2023: Fully-Collateralized DCOs to FTX Contagion

- CFTC DCO approval (2017/2019); West Realm Shires (FTX.US) acquisition; March 2023 SVB cash run.

### A. The JPM, Epstein, and ISDA Framework (2003–2010)

Department of Justice and court records show that major financial institutions pioneered bespoke derivative frameworks to obscure direct client market exposures:

- **ISDA Infrastructure on the GIO Desk:** In March 2010, J.P. Morgan Private Bank set up Jeffrey Epstein on its Global Investment Opportunities (GIO) desk with an ISDA master agreement co-covered by Managing Directors Paul Barrett and Jeff Matusow. This followed years of generating millions in FX and derivative revenue for clients including Leslie Wexner (\$8.5M+ in 2003).
- **Total Return Swaps & Non-Cash Collateral:** Epstein executed complex TRS packages on Twitter (TWTR) and Apple (AAPL) via Southern Financial LLC. For a 250,000-share AAPL long TRS, Deutsche Bank and JPM required 35% margin (\$8.48M). Rather than posting cash, Epstein's advisors structured collateral using concentrated equity blocks (Bank of New York, General Motors, Apollo, Healthnet) at a 2x haircut (\$16.97M).

### B. "Project Molecule" and the Ingestion of "Funky Assets" (2011–2013)

In 2011, Epstein brokered discussions between JPM executives (Jes Staley, Mary Erdoes) and Bill Gates to create a \$100 billion "Super Donor Advised Fund" (Project Molecule / Nucleus):

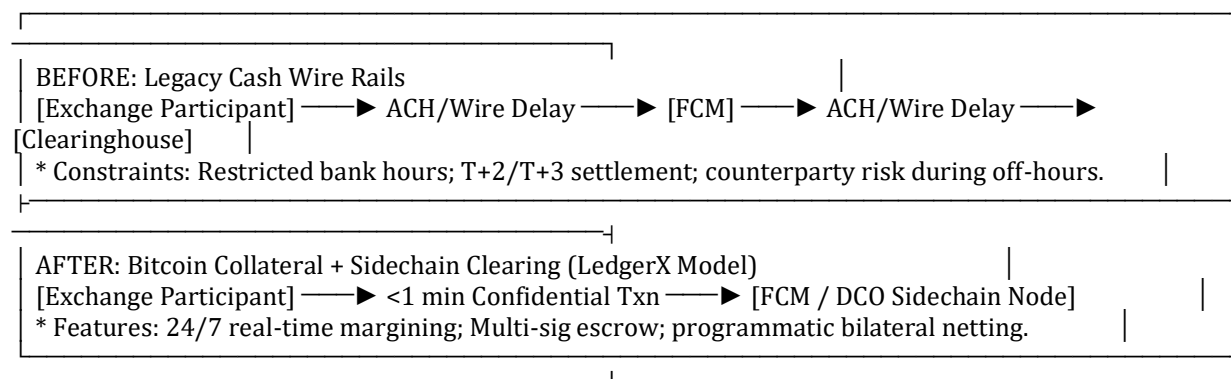


- **Ingestion of Illiquid Assets:** Epstein's structural blueprint explicitly mandated that the DAF accept "funky assets"—including Subchapter S stock, closely held C-corporations, 144 restricted stock, and high-value art.
- **Anonymous Multi-Billion Netting:** The project proposed offshore conduits (in tax-neutral jurisdictions) with a custom web interface allowing ultra-high-net-worth donors to route funds anonymously across asset silos while Highbridge Capital managed underlying investments. Internal Gates Foundation memos (August 2011) noted Epstein acted as the behind-the-scenes broker despite his criminal conviction, prompting the foundation to keep its core mission firewalled from the product pitch.

### III. CRYPTO-INFRASTRUCTURE, SIDECHAINS, AND LEDGERX EVOLUTION (§ 22.5(a), § 22.16)

The financial mechanics developed in traditional private bank swap desks were subsequently adapted directly into cryptocurrency derivatives and clearing architectures.

#### BEFORE VS. AFTER BLOCKCHAIN CLEARINGHOUSE



#### A. The Structural Shift to Digital Asset Clearing

- **Early Venture Funnels:** In December 2014, Brock Pierce (Crypto Currency Partners II, LLC) offered Epstein allocation in Coinbase's \$60M Series C round, explicitly describing CCP II as an LLC to "*funnel your investments through*" using Silicon Valley Bank (SVB) as primary bank.
- **LedgerX Pitch (2016):** In March 2016, developer Jeremy Rubin introduced the LedgerX pitch deck to Epstein. LedgerX proposed replacing traditional ACH/wire delays with **Bitcoin-as-collateral**, allowing 24/7 out-of-bank-hours margin posting, multi-signature wallet escrow rooms for efficient bilateral netting, and private "sidechains" to log FCM collateral balances confidentially.



## B. LedgerX, FTX Bankruptcy Isolation, and the March 2023 Banking Run

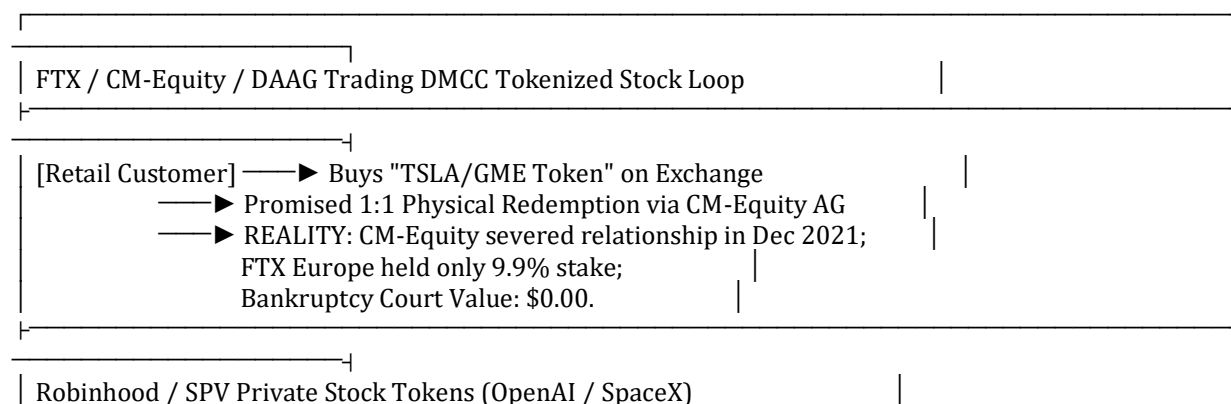
LedgerX LLC obtained CFTC approvals as a Swap Execution Facility (SEF) in July 2017, a Derivatives Clearing Organization (DCO) in July 2017, and a Designated Contract Market (DCM) in June 2019.

- **Participant Margin Balances:** As of December 31, 2021, LedgerX held **\$480,783,181** in total participant margin deposits (\$70,129,953 in cash; \$410,653,228 in off-balance-sheet Bitcoin/Ethereum held via BitGo custody).
- **FTX Chapter 11 Isolation:** In October 2021, LedgerX was acquired by West Realm Shires Inc. (FTX.US). Because CFTC DCO regulations enforced a fully-collateralized structure requiring participants to post maximum potential losses prior to trade execution, LedgerX was excluded from the November 2022 FTX Chapter 11 filings and remained operational.
- **March 2023 SVB/Signature Evacuation:** On March 10, 2023, during the Silicon Valley Bank panic, LedgerX halted internal ACH processing and successfully transferred all USD cash out of SVB prior to FDIC intervention. On March 13, 2023, LedgerX distributed a \$69 million dividend to its bankrupt parent, West Realm Shires Inc. Concurrently, automated transactions at Silvergate Bank exceeded \$1 trillion without adequate BSA/AML monitoring, including \$9 billion in suspicious transfers between FTX and related entities.

## IV. SYNTHETIC PARALLEL MARKETS: TOKENIZED STOCKS, SPVS, AND COLLATERAL DECEPTION (§ 22.16)

A major systemic vulnerability threatening cleared swaps customer collateral is the expansion of unbacked synthetic equities and "tokenized stock" derivatives.

### SYNTHETIC TOKENIZED EQUITY ARCHITECTURE & DISCONNECT





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|                   |                                                        |  |
|-------------------|--------------------------------------------------------|--|
| [Retail Customer] | → Promised "Indirect Exposure" via SPV Ownership       |  |
|                   | → REALITY: OpenAI Newsroom: "0% Equity; 0% Approval"   |  |
|                   | Elon Musk: "Your 'equity' is fake; it is a derivative" |  |
|                   | Bank of Lithuania launches formal probe.               |  |

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## A. Tokenized Stocks and CM-Equity Custodial Disconnects

Offshore platforms offered 24/7 trading of "Tokenized Stocks" (Tesla, Apple, GameStop), claiming tokens were backed 1:1 by physical shares held at licensed European custodians (CM-Equity AG):

- **Zero Bankruptcy Valuation:** Bankruptcy dockets (*In re FTX Trading Ltd.*, Case No. 22-11068) confirm that tokenized stocks were valued at **\$0.00** outside the debtor exchanges. They functioned purely as unbacked internal derivative contracts.
- **Severed Custodial Ties:** While FTX represented that CM-Equity held physical backing, CM-Equity severed its relationship with FTX in December 2021. FTX Europe AG maintained a 9.9% minority stake in CM-Equity to avoid consolidated regulatory oversight.
- **Offshore Swap Shells & Arbitration:** In July/November 2021, FTX transferred \$101.8 million in USDC to acquire DAAG Trading DMCC in Dubai as a licensed proprietary swap dealer. DAAG was dissolved on April 26, 2023. Meanwhile, Binance filed a \$65 million German arbitration claim against CM-Equity regarding unreturned collateral under a April 2021 Tokenized Stocks Agreement. Restrictive covenants in Binance's November 2019 Series A voting agreement with FTX had prohibited FTX from initiating bankruptcy without Binance's written consent.

## B. Unlisted Private Company Tokens (OpenAI / SpaceX)

Recent market offerings of "Private Company Stock Tokens" (e.g., OpenAI, SpaceX) demonstrate how unbacked synthetic derivatives continue to target retail capital:

- **SPV Representation vs. Corporate Repudiation:** Retail brokers claimed private tokens offered indirect equity exposure via Special Purpose Vehicles (SPVs). OpenAI officially repudiated these tokens, issuing public warnings that they represent **0% equity**, were launched without company involvement or approval, and violate corporate bylaws.
- **Derivatives Admission:** Executives admitted on financial news networks that the instruments are not corporate equity but cash-settled synthetic derivatives tracking private valuations, triggering formal investigations by international watchdogs



including the Bank of Lithuania. Primary founders publicly confirmed: "Your 'equity' is fake".

## V. SYSTEMATIC ORDER/COLLATERAL MIS-MARKING & AUDIT TRAIL INTEGRITY (§ 22.2, § 22.11)

The integrity of CFTC Part 22 customer collateral daily calculations relies directly on accurate order-marking and trade execution reporting. Recent enforcement records expose systemic failures across major market intermediaries.

### A. Robinhood Regulation SHO & Order Marking Enforcement

SEC enforcement proceedings (*In the Matter of Robinhood Financial LLC and Robinhood Securities, LLC*, File No. 3-22405) revealed chronic order-marking and clearing deficiencies:

- **Fail-to-Deliver Omissions:** From May 2019 to March 2020, Robinhood Securities failed to execute timely Regulation SHO close-outs on fails-to-deliver resulting from stock lending activities.
- **Net Proprietary Position Deficit:** From December 2019 to December 2023, the firm lacked system capability to calculate real-time net proprietary positions across internal clearing accounts. Consequently, it mismarked over **15 million principal short sales** as "long".
- **Fractional Share Riskless Principal Violations:** From December 2019 to May 2022, the firm mismarked over **58 million fractional share riskless principal short sale orders** as "long" by substituting customer long statuses for firm-level inventory validations. From May 2022 to December 2023, it mismarked an additional **4.5 million orders** as "short exempt" without satisfying statutory criteria.

### B. Citadel Securities Coding Error in Riskless Principal Logic

In *In the Matter of Citadel Securities, LLC* (File No. 3-21703), the SEC sanctioned the firm for a five-year coding error (September 2015–September 2020) affecting millions of trades:

- **Deferred Execution Update Defect:** Citadel executed institutional client orders on a riskless principal basis via back-to-back Street-Side and Client-Side legs. For institutional clients requesting deferred execution reports ("roll-up" transactions), Citadel's automated system updated the Street-Side leg immediately but delayed updating the offsetting Client-Side leg.
- **Inventory Calculation Corruption:** This delay (lasting minutes to hours) caused intraday position calculations to cross zero blindly, mis-marking short sales as long



sales and long sales as short sales across millions of orders fed into Electronic Bluesheets and regulatory audit trails.

## C. CAT Data Analysis of Riskless Principal Volume & Monthly Resetting

The Consolidated Audit Trail (CAT) baseline sample from January 2023 highlights structural vulnerabilities in riskless principal order handling:

| EXCHANGE TRADING VOLUME BY CAPACITY (JAN. 2023 CAT DATA) |                          |                           |                          |
|----------------------------------------------------------|--------------------------|---------------------------|--------------------------|
| Exchange Venue                                           | Agency Volume (Shares)   | Principal Volume (Shares) | Riskless Principal (Shr) |
| Nasdaq (Maker-Taker)                                     | 42,381,231,425 (32.04%)  | 26,084,186,949 (24.37%)   | 256,443,292 (13.90%)     |
| NYSE (Maker-Taker)                                       | 23,578,087,344 (17.82%)  | 15,663,850,087 (14.64%)   | 145,114,774 (7.86%)      |
| Cboe EDGX (Maker-Taker)                                  | 13,478,973,097 (10.19%)  | 12,512,933,159 (11.69%)   | 677,345,568 (36.70%)     |
| MEMX (Maker-Taker)                                       | 6,308,673,864 (4.77%)    | 6,746,470,107 (6.30%)     | 186,541,931 (10.11%)     |
| TOTAL MARKET                                             | 132,277,400,448 (54.85%) | 107,027,634,927 (44.38%)  | 1,845,436,811 (0.77%)    |

- **Monthly Reset Dynamic:** Exchange volume tiers reset monthly, applying retroactively to all executions transacted earlier in that month. This creates an intense month-end economic incentive for high-volume members to mis-mark riskless principal orders (1.845B shares total) as proprietary volume to cross higher rebate thresholds.
- **Concentration Risks:** Riskless Principal capacity is heavily concentrated on specific venues—Cboe EDGX alone processed **677,345,568 Riskless Principal shares (36.70% market share)**, followed by Nasdaq (13.90%) and MEMX (10.11%). Without dedicated port sourcing and Inline XBRL tally disclosures, bad actors can selectively mischaracterize these pools during month-end scrambles.

## D. Sub-Second Institutional Auctions & NBBO Price Deviation

Internal retail clearing architectures interface directly with sub-second micro-auctions (e.g., Coda Fuse logic):



- **Micro-Auction Pauses:** Internalized retail orders are routed into private sub-second auction suites utilizing 1 to 20 millisecond execution pauses to alert an enclosed circle of institutional subscribers.
- **Liquidity Protection Rule (LPR) Regressions:** System platforms run rolling 20-trading-day regression curves on SIP trade data to calculate LPR variance thresholds. These thresholds permit matching engines to execute massive crossed orders at prices that deviate directly outside the National Best Bid or Offer (NBBO), insulating institutional liquidity from public lit price discovery.

## VI. PROFESSIONAL CONFLICTS, ASSET EVACUATION, AND RESTRUCTURING ABUSES (§ 22.17)

Section 22.17 requires FCMs to provide written notice of substantial withdrawals from customer accounts not for the benefit of cleared swaps customers. Bankruptcy filings demonstrate how legal and executive control structures can bypass these protections during pre-petition collapses.

### LEGAL COUNSEL CONFLICT WEB & PRE-PETITION ASSET CONTROL

Sullivan & Cromwell LLP (S&C) Concurrent / Historical Client Interlocks

- Debtor Counsel: FTX Estate / West Realm Shires Inc.
- Creditor / Counterparty Clients: SVB Financial, First Republic Bank, Genesis Global, BlockFi Lending, Apollo Capital, Deltec International Group, Robinhood Markets.
- Key Interlock: Ryne Miller (Former S&C Partner —► General Counsel FTX US).

Pre-Petition Asset Movement & Executive Actions

- Nov 8, 2022 (10:23 PM): Ryne Miller wires \$4M S&C retainer from FTX.com customer cash ("I'm in charge now").
- Plan to extract \$200M cash from LedgerX clearinghouse to cover legal retainers.
- Forced SBF signatures on Omnibus Corporate Authority under legal duress.
- SCB Interventions: Intercepted Bahamian regulator asset transfers to lock assets within Delaware Chapter 11 framework.



## A. The Sullivan & Cromwell / Quinn Emanuel Counsel Web

Formal conflict disclosures in *In re FTX Trading Ltd.* reveal that law firms advising the bankruptcy estate simultaneously represented major counterparties, creditors, and landing venues:

- **Sullivan & Cromwell LLP (S&C):** Represented the FTX Debtor estate while maintaining historical or active representation for SVB Financial Group, First Republic Bank, Genesis Global Capital, BlockFi Lending, Apollo Capital Opportunities Fund, Deltec International Group, Gemini Trust, and Robinhood Markets.
- **Quinn Emanuel Urquhart & Sullivan, LLP:** Served as special counsel while representing Changpeng Zhao (Binance CEO), Sequoia Capital, Ripple Labs, and Aptos.

## B. Pre-Petition Asset Wires & SCB Jurisdictional Interventions

Sworn statements from former executives detail the pre-petition transfer of control:

- **The \$4M S&C Customer Cash Wire:** Ryne Miller—General Counsel of FTX US and former S&C partner—took control on November 8, 2022, messaging leadership at 10:23 PM: *"I need to wire SullCrom \$4M to make sure we are all represented through this... From FTX.com cash... I'm in charge now"*.
- **LedgerX \$200M Extraction Plan:** Miller informed colleagues that LedgerX held over \$200 million in cash and that he intended to transfer these funds to S&C for bankruptcy legal fees.
- **Bahamian SCB Blockade:** When Christina Rolle of the Securities Commission of The Bahamas (SCB) ordered the transfer of assets to a protected sovereign wallet, Miller intervened, halting site functionality and refusing SCB access to enforce Delaware Chapter 11 control.
- **KYC Farming & Automated Fiat-to-Stablecoin Loops:** Platforms utilized peer-to-peer "KYC farmers" in mainland China to open surrogate bank accounts, funneled cash into Huobi and OKX, and used automated user agreements (e.g., Australian DCE service schedules) to convert fiat deposits into unbacked stablecoins by default while disclaiming money transmitter licensing obligations.

## VII. CONCRETE RECOMMENDATIONS TO ENHANCE PART 22 COLLECTION REQUIREMENTS

To fulfill the PRA mandate for practical utility and address the systemic risk mechanisms detailed above, the Commission must revise OMB Control No. 3038-0091 and 17 CFR Part 22 as follows:



## RECOMMENDED PART 22 REGULATORY ENHANCEMENTS

| Part 22 Provision                         | Current Rule Deficiency                                                        | Mandated Regulatory Enhancement                                                                                       |
|-------------------------------------------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| § 22.11 & § 22.12 (Customer Reporting)    | Single-venue portfolio visibility; hidden off-balance-sheet ISDA swaps.        | Real-time, cross-FCM/DCO aggregate gross synthetic exposure reporting; aggregated ISDA/TRS entity tracking.           |
| § 22.2(g) & § 22.5(a) (Collateral Checks) | Paper depository acknowledgment letters; unverified off-chain margin balances. | Cryptographic proof-of-reserves; real-time multi-sig wallet & sidechain logs.                                         |
| § 22.16 (Customer Disclosure)             | Discloses static liquidation rules; permits unbacked tokenized equities.       | Total prohibition on counting unbacked synthetic tokens or SPVs as cleared customer collateral; 1:1 custody audit.    |
| § 22.17 (Withdrawal Notice)               | Delayed notice for >25% residual interest withdrawals.                         | Mandatory 15-minute electronic trigger for capital transfers; machine-readable Inline XBRL daily order-marking audit. |

### 1. Mandatory Cross-FCM & Cross-DCO Aggregate Synthetic Risk Reporting (§ 22.11 & § 22.12)

The Commission must amend §§ 22.11 and 22.12 to require FCMs and DCOs to report client portfolio rights on an **aggregated, cross-entity basis**. Reporting must encompass all underlying Total Return Swaps, security-based swaps, and off-balance-sheet ISDA master commitments. If a customer maintains swap positions across multiple FCMs exceeding threshold limits (\$100 million notional or 5% of market float), Part 22 collection logs must automatically flag the aggregate gross synthetic leverage to prevent Archegos-style PB information vacuums.

### 2. Cryptographic Proof-of-Reserves & Real-Time Wallet Auditing (§ 22.2(g) & § 22.5(a))

For clearinghouses and FCMs accepting digital assets or operating sidechain clearing mechanisms (e.g., LedgerX model), paper depository acknowledgment letters under § 22.5(a) are insufficient. The CFTC must require daily, automated cryptographic proof-of-reserves and public multi-signature wallet verification for all customer digital margin



deposits, ensuring funds are strictly segregated and inaccessible for proprietary FCM/DCO rehypothecation or legal fee extraction.

### **3. Prohibition of Unbacked Tokenized Assets as Customer Collateral (§ 22.16)**

The Commission must amend § 22.16 disclosures to explicitly prohibit FCMs and DCOs from accepting unbacked "tokenized stocks", SPV private company tokens, or non-cleared internal derivatives as eligible customer collateral. Cleared swaps collateral must be backed 1:1 by physical assets held at verified, direct custodians subject to routine, independent on-site audits.

### **4. Automated Order-Marking Validation & 15-Minute Withdrawal Triggers (§ 22.2 & § 22.17)**

To prevent the corruption of daily collateral calculations through order mis-marking (as seen in Citadel and Robinhood enforcement actions):

- Exchanges and FCMs must deploy **distinct physical port sourcing** for proprietary versus riskless principal or agency transactions.
- Daily audit trail data must be submitted using machine-readable **Inline XBRL** formats within 5 calendar days of month-end.
- Section 22.17 written notice requirements must be updated to require **immediate 15-minute automated electronic notifications** to the Commission whenever pre-petition or executive transfers exceeding 10% of residual interest are initiated from customer cash accounts.

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.



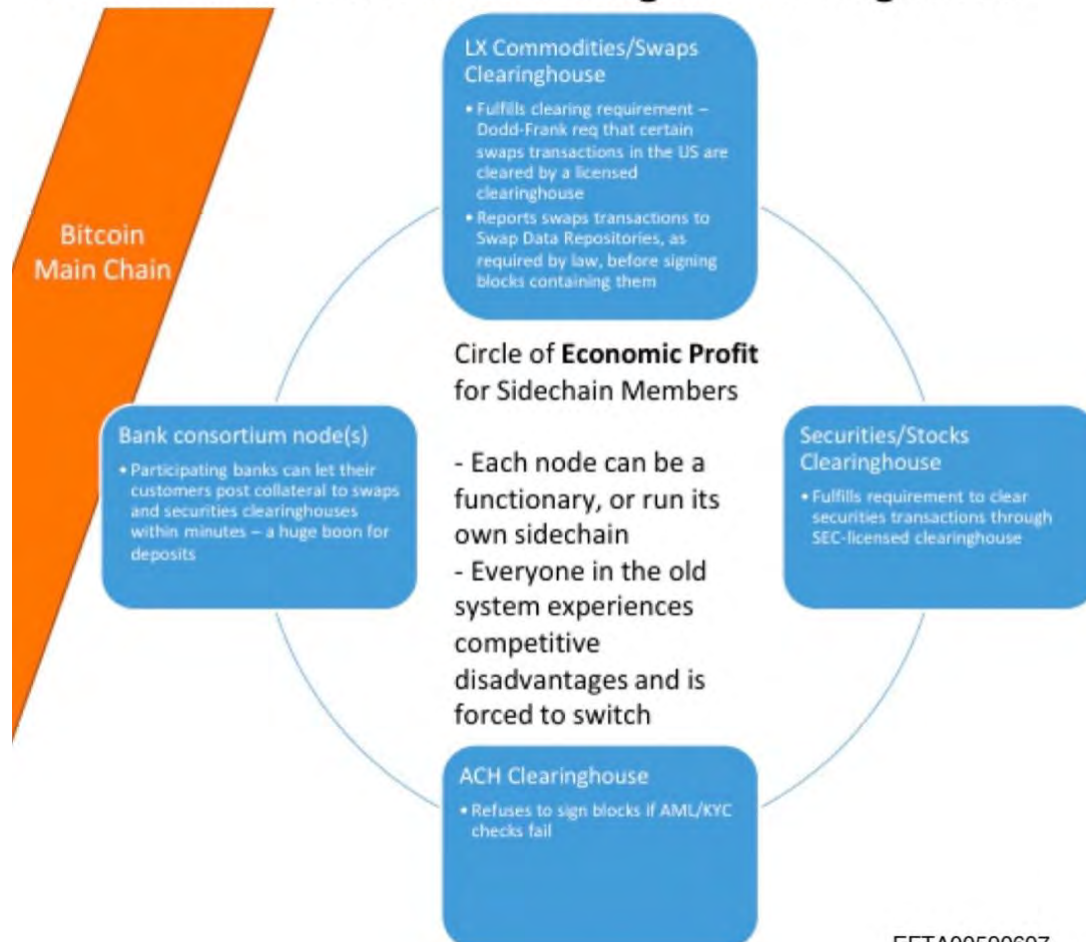
**From:** Brock Pierce <[REDACTED]>  
**Sent:** Wednesday, December 3, 2014 4:50 PM  
**To:** Jeffrey Epstein  
**Subject:** CCP LLC Docs  
**Attachments:** Crypto Currency Partners II, LLC - Operating Agreement.pdf; Crypto Currency Partners II LLC Subscription Application.pdf

Jeffrey,

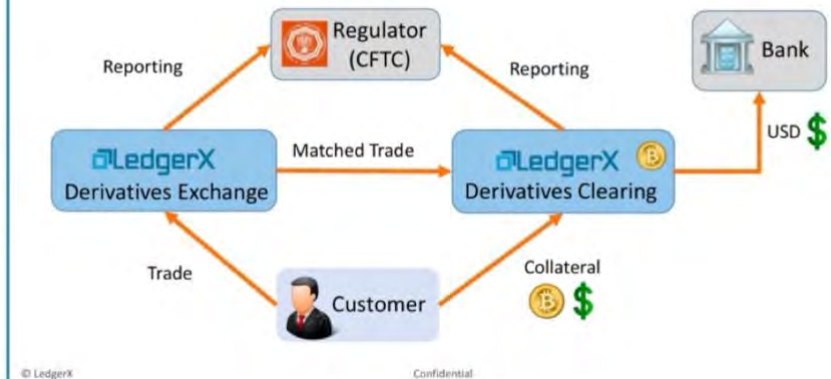
Attached are the docs I sent you for the LLC that we intend to funnel your investments through. Please let me know if there are any issues with the structure and/or details. I'm available to chat any time.

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EFTA02708994

## After Bitcoin + sidechains + LedgerX clearinghouse



What is LedgerX?



EFTA00590688

EFTA00590697



# 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 Salzman. 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: ]  
Sent: Tuesday, August 24, 2010 4:25 PM  
To: Paul S Barrett  
Cc: Jes Staley  
Subject: Re: 30yr swaps

yen? .. so far jpm recommendations. are a disaster

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

On Tue, Aug 24, 2010 at 3:44 PM, Paul S Barrett < > 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

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

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

Confidential

JPM-SDNYLIT-00098899



- **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 <>  
Subject:

home tel no <> ehud,, please keep very private.. expecting your call

On Sat, Feb 5, 2011 at 7:15 AM, <> 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: <>  
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: <>  
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 initially just to the gates program,, minimum gift. 100 million. it could then be opened up later. IT will be the largest foundation in the world. You need an advisory board for 1, investments. 2. distributions. . you will need an administration, mirroring a mutual fund. 4. tax compliance 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 boardds It will be the most sort after board in the country.

To: Jes Staley <>; Erdoes, Mary E[ <>  
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 initially just to the gates program,, minimum gift. 100 million. it could then be opened up later. IT will be the largest foundation in the world. You need an advisory board for 1, investments. 2. distributions. . you will need an administration , mirroring a mutual fund. 4. tax compliance 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 boardds 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..

EFTA\_R1\_00259343  
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 relations strategy, an internet strategy, a proposed structure that encompasses a to be populated list of advisory committess investmentcommittees , grant comittes,, and a menu of structural choices to maximiaze flexibility. 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 <jesstaley1@gmail.com>; 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 committee, automatically 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 membership 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 publicly would 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, ?

Confidential

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 or comments in the meantime.

Dick

CONFIDENTIAL

GV000028



**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

JPM-SDNYLIT-00136978

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 perspectives, 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, and can call upon seasoned professionals. there is a limited number as you know of super high quality people in any field, the charitable 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>

EFTA00976043



December \_\_, 2012

**CONFIDENTIAL**

**[DRAFT FOR DISCUSSION PURPOSES ONLY]**

Mr. Larry Cohen, Manager  
Business Operations  
bgC3 LLC

[Date of Signing]

**RE: Letter of Understanding Regarding New Investment Entity**

Cascade Investment, LLC  
**[CASCADE TO PROVIDE ADDRESS]**

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 not intend 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

Re: Transaction between [ENTITY OF BORIS NIKOLIC] and Cascade Investment, 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 Treatment Requested by JPMorgan Chase

SDNY\_GM\_00078533

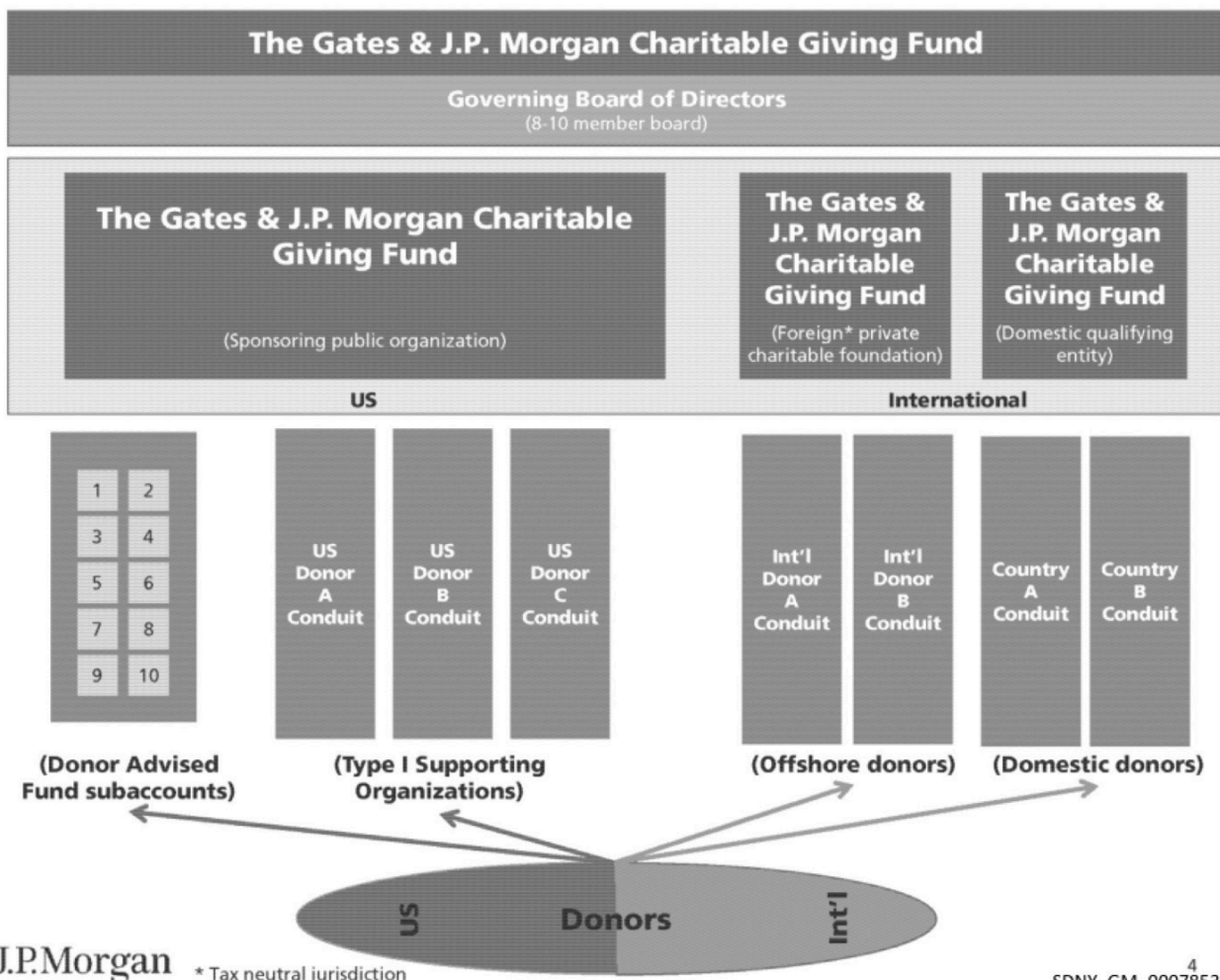
JPM-SDNY-00001660

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EFTA01301114

Structure

### Recommended structure



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SDNY\_GM\_00078537

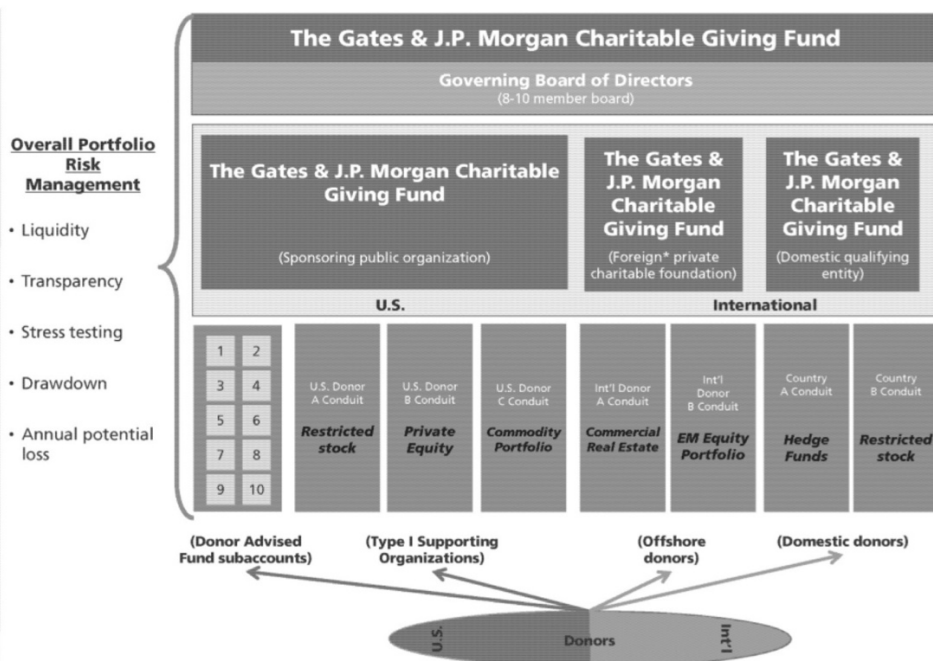
JPM-SDNY-00001664

EFTA\_00189004



## Structure

Managing risk and fiduciary responsibilities for over 160 years



J.P.Morgan

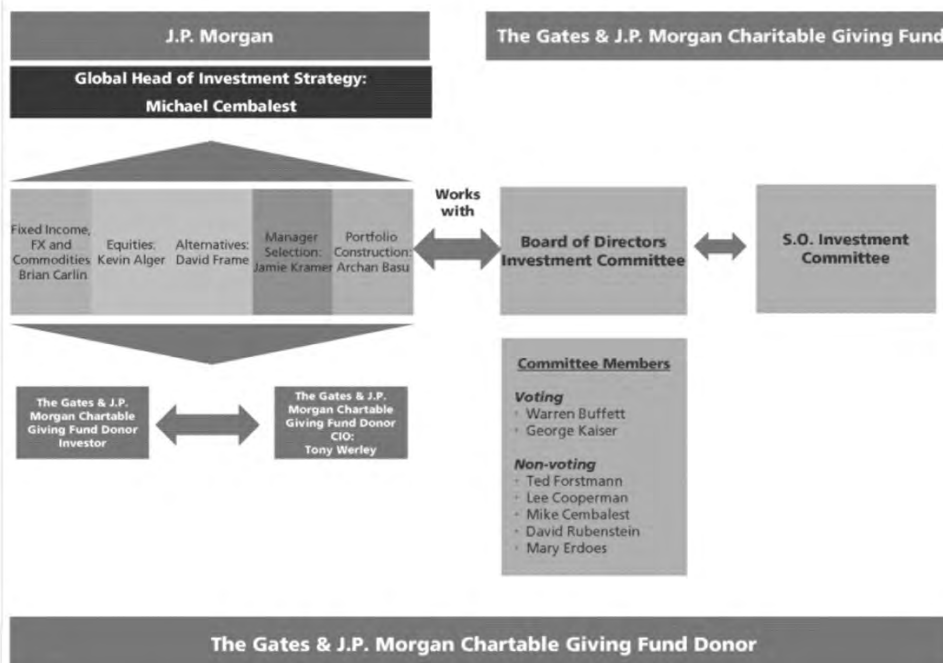
\* Tax neutral jurisdiction.

Confidential Treatment Requested by JPMorgan Chase

SDNY\_GM\_00078540  
JPM-SDNY-00001667  
EFTA\_00189007

## Investments

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



J.P.Morgan

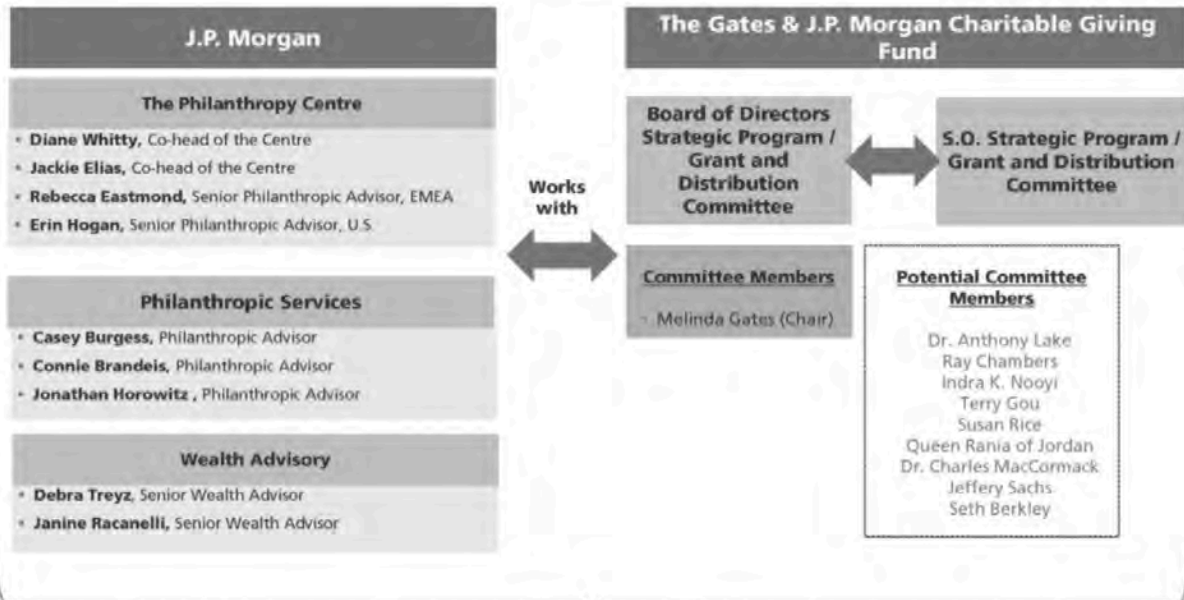
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SDNY\_GM\_00078544  
JPM-SDNY-00001671  
EFTA\_00189011  
EFTA01301125



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

Philanthropy



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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JPM-SDNY-00001672  
EFTA\_00189012  
EFTA01301126



BILL & MELINDA  
GATES foundation

- o 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:
  - o 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.
  - o 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.
  - o 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.
  - o 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.
  - o 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

### 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:
  - o Ensure that Jes's pitch for the "Project" does not distract or derail the work underway between the foundation and JPM; and
  - o Affirm our appreciation for JPM's collaborations with the foundation over the last three years.
- The background sections in this memo include:
  - o "Project Nucleus/Molecule"
  - o Politics within JPM around the GH Financing Facility
  - o Overview of the JPM GH Private Donor Fund
  - o Matrix of fund/fundraising "Products"
  - o Giving Pledge Messaging
  - o Bios of JPM Participants

### High Level Talking Points:

- Relationship with JP Morgan:
  - o The foundation appreciates the great collaboration it has shared with JPM over the last three years.
  - o 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.
  - o 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.

Meeting with Jes Staley and Mary Erdoes, JP Morgan Page 1  
Author: Jennifer Alcorn and Julie Sunderland  
Confidential

August 22, 2011

Meeting with Jes Staley and Mary Erdoes, JP Morgan Page 2  
Author: Jennifer Alcorn and Julie Sunderland  
Confidential

August 22, 2011



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):
  - o From JPM, we know that Jeff has the ear of Jes and has helped recruit (behind the scenes) some of JPM's biggest clients.
  - o From Bill's email, we know that he has spoken with Jeff and has discussed the DAF concept with him.
  - o We think that Jeff is the link between Bill and Jes and has been feeding Jes information to shape the Project.
  - o 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 Facility

- 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 UHNW 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 UHNW clients for a "GH Learning Circle" in our Seattle offices.

GHPA has used the JPM relationship as major learning initiative. From our interactions with UHNW, 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:**
  - o Increase funding for GH issues by piloting a private donor fund w/ JPM.
  - o Respond to Bill's requests to bring in new money for global health issues.
  - o To leverage JPM's ability to market the Fund in a wholesale way (because our internal Private Donor team is only 1 FTE).
  - o Learn from the pilot to understand what is appealing to UHNW to inform future products and services the foundation and its grantees can provide.
- **Structure:**
  - o JPM Clients (and potentially others) "buy in" to Fund with a minimum \$1m donation.
  - o They can determine if funding allocated across projects or to specific projects.
  - o 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:**
  - o Identifies projects and grantees based on priorities and current grantmaking (projects to revolve every 1 – 2 years).
  - o 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".
  - o (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:**
  - o Markets Fund to UHNW clients and potentially others.
  - o Houses Advisory Board (JPM and BMGF staff sit on board and donors are informal "advisors").
  - o Makes grants and reports back to donors.
- **GH Issues for first offering:**
  - o **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.
  - o **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.
  - o **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.



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### 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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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.



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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 we intend to funnel your investments through. Please let me know if there are any issues with the structure and/or details. I'm available to chat any time.

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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

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?

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**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.

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# LedgerX Options Exchange + Bitcion Clearinghouse: Series B

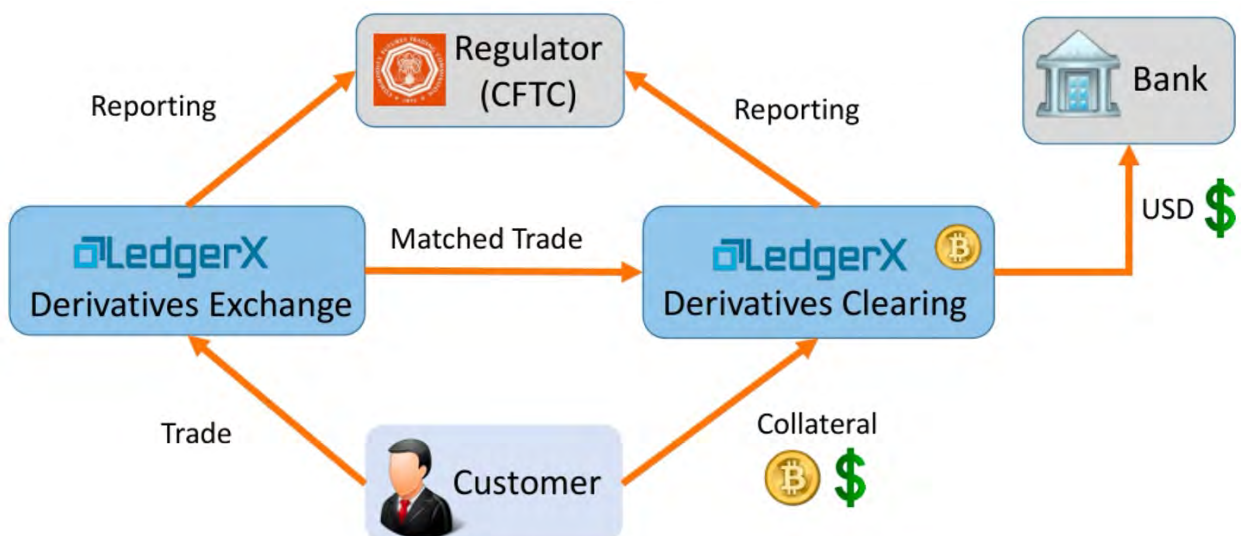
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What is LedgerX?



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## 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

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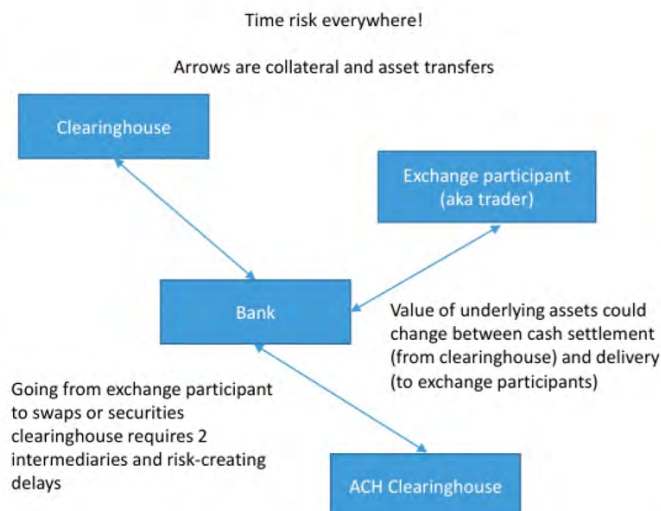
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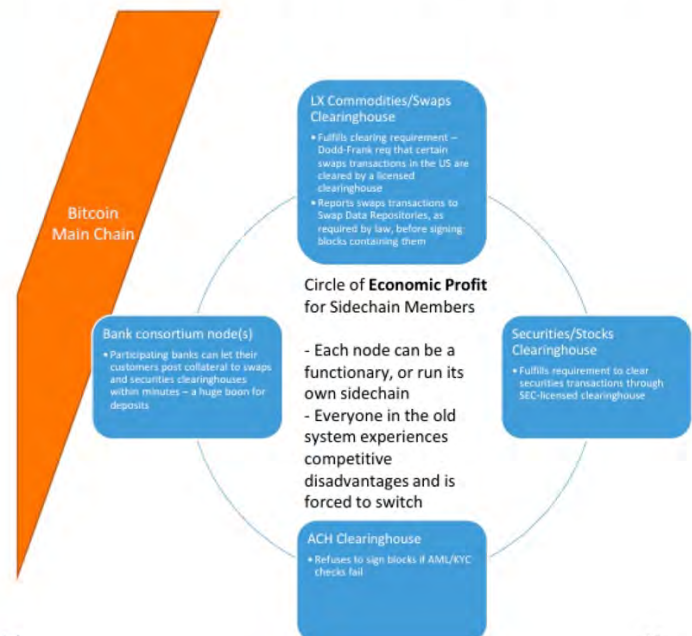
## US Financial System: Before and After

### Before Bitcoin + sidechains



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### After Bitcoin + sidechains + LedgerX clearinghouse



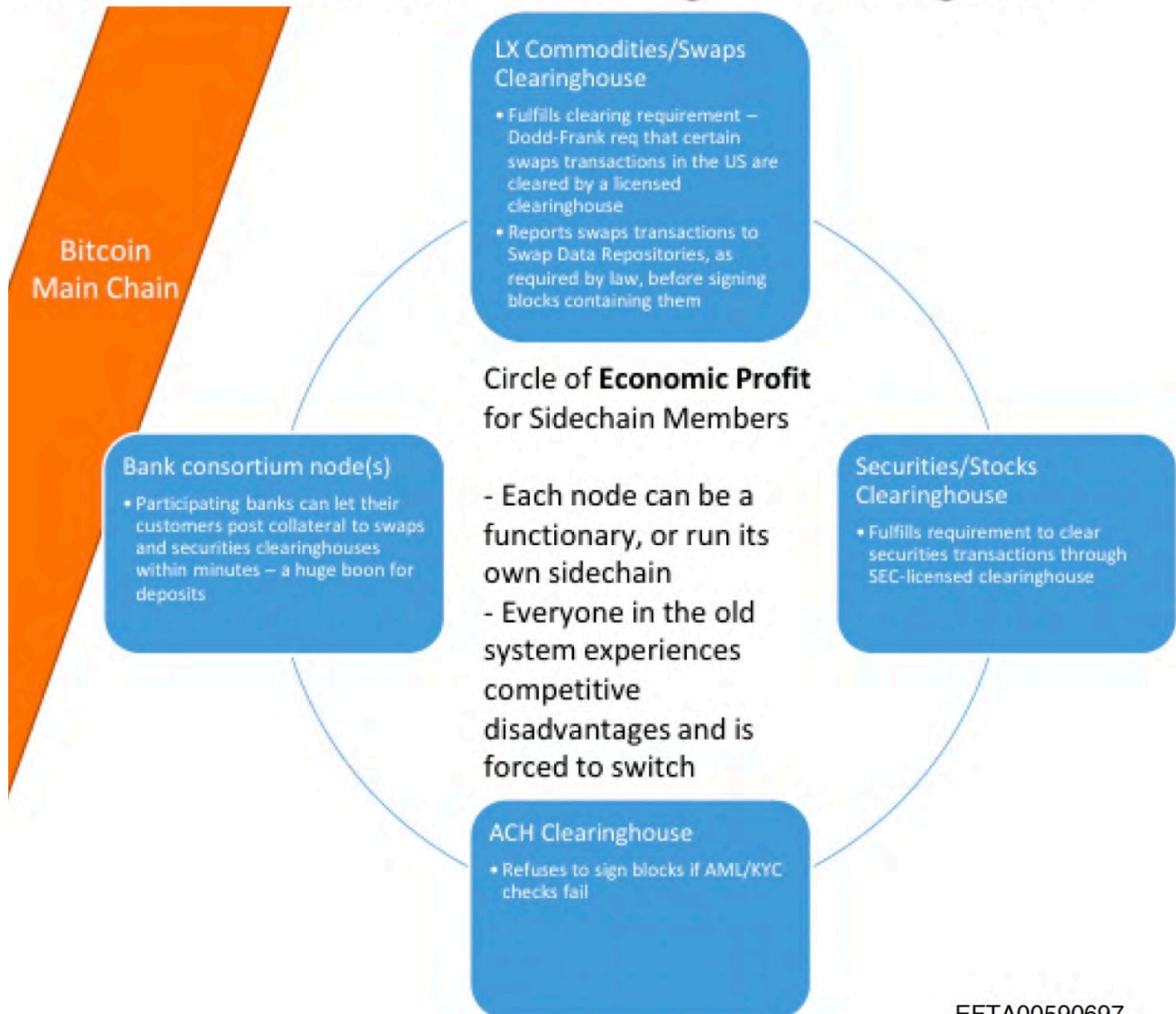
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## After Bitcoin + sidechains + LedgerX clearinghouse



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## 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. ■■■ like collateral pledged to you overnight, as opposed to beginning-of-next-business-day.



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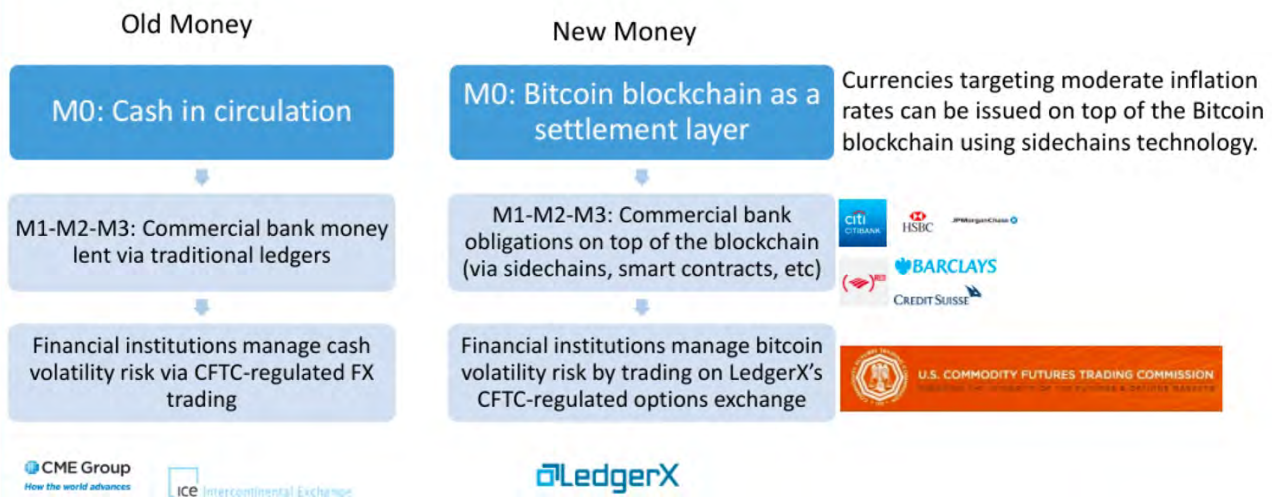
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## Money: Before and After



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## 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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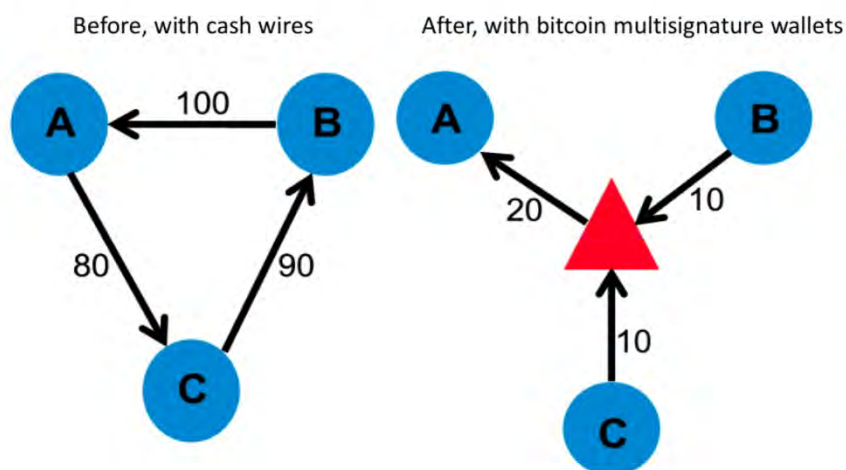
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## Replacing inefficient bilateral netting with Bitcoin-based escrow

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.



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## 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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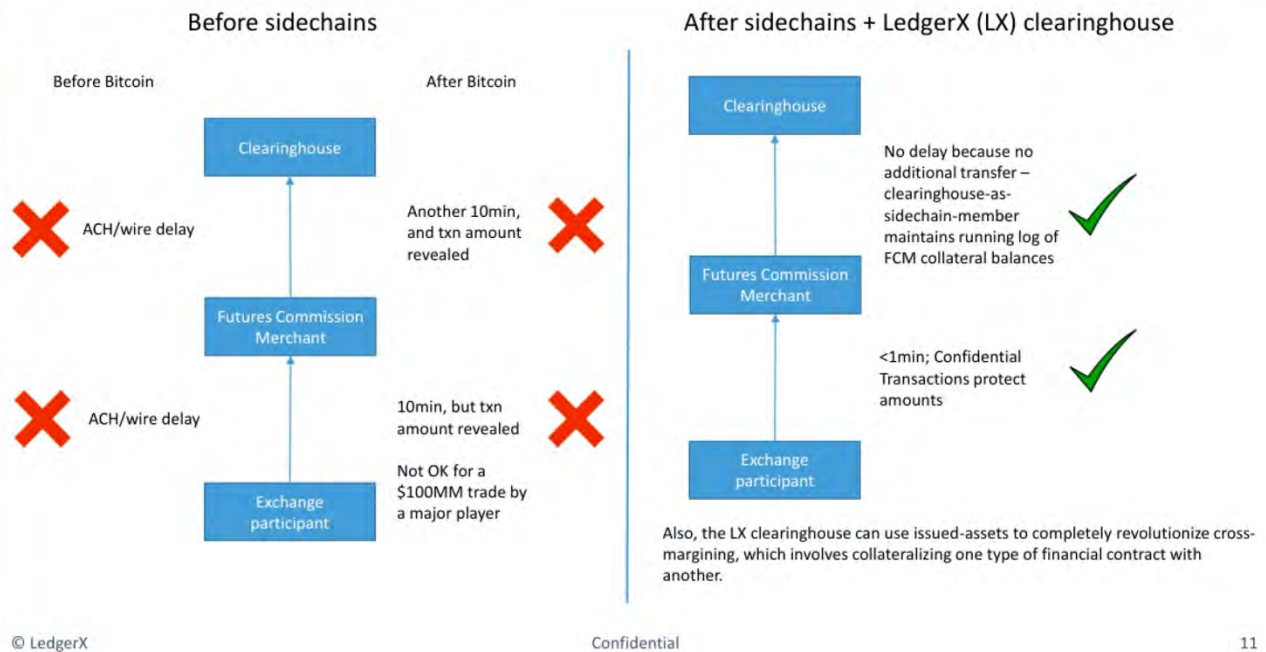
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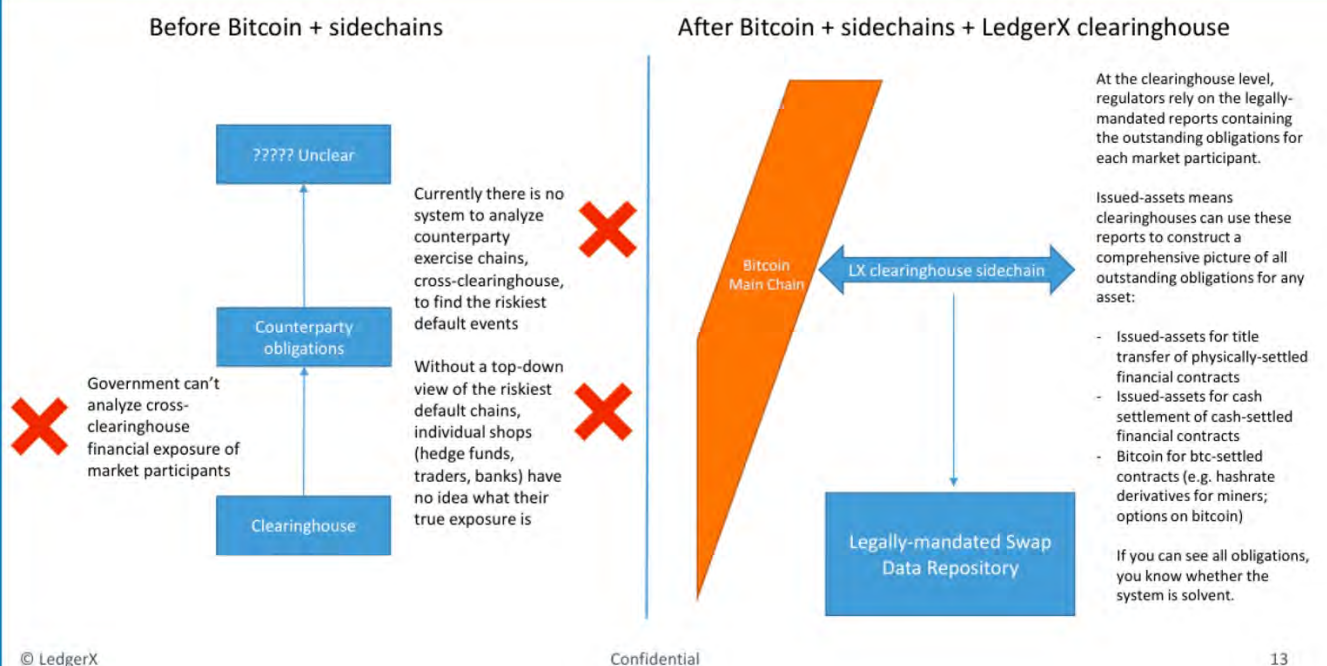
## Collateral Posting: Before and After



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## Are US Financial Institutions Solvent? Before and After



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LedgerX LLC  
Notes to the Financial Statements  
December 31, 2021

### 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.

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.

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.



#### 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    | <u>\$410,653,228</u> |
| Total                            | <u>\$480,783,181</u> |

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.](#)  
<https://storage.courtlistener.com/recap/gov.uscourts.nysd.591653/gov.uscourts.nysd.591653.244.23.pdf>  
[https://storage.courtlistener.com/recap/gov.uscourts.nysd.591653/gov.uscourts.nysd.591653.284.4\\_1.pdf](https://storage.courtlistener.com/recap/gov.uscourts.nysd.591653/gov.uscourts.nysd.591653.284.4_1.pdf)  
<https://storage.courtlistener.com/recap/gov.uscourts.nysd.591653/gov.uscourts.nysd.591653.271.2.pdf>
- **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.](#)  
<https://www.justice.gov/epstein/files/DataSet%2011/EFTA02349263.pdf>  
<https://www.justice.gov/epstein/files/DataSet%2010/EFTA02164172.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA01146283.pdf>  
<https://www.justice.gov/epstein/files/DataSet%2010/EFTA01904898.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA00600702.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA00844358.pdf>  
<https://www.justice.gov/epstein/files/DataSet%2011/EFTA02709670.pdf>



<https://www.justice.gov/epstein/files/DataSet%2011/EFTA02618531.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA00644849.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA01112136.pdf>  
<https://www.justice.gov/epstein/files/DataSet%209/EFTA01193936.pdf>

- **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.](#)

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## 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.

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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

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.

**From:** Mary E Erdoes  
**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

Here is your answer...peg

EFTA\_R1\_01514969  
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.

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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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JPM-SDNYLIT-00099899



- **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 disaster [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 recommendations. are a disaster

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] EFTA\_R1\_00097016  
**Sent:** Friday, January 7, 2011 8:03 PM EFTA01779542  
**To:** Jeffrey Epstein  
**Subject:** help with Madoff?

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 dishonesty.

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

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 Seattle 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 initially just to the gates program,, minimum gift. 100 million. it could then be opened up later. IT will be the largest foundation in the world. You need an advisory board for 1, investments. 2. distributions. ; you will need an administration ; mirroring a mutual fund. 4. tax compliance 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. the tension 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 boards 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.

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From: Jeffrey Epstein <jeevacation@gmail.com>

To: Jes Staley ; 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 committee, automatically 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 membership 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 publicly would send a complex message to those institutions that have already close relations with the donor.

JPM-SDNYLIT-00016654



- **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.

Case 2:23-cv-01090-SJR Document 83-1 Filed 07/25/23 Page 8 of 8

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):
  - o From JPM, we know that Jeff has the ear of Jes and has helped recruit (behind the scenes) some of JPM's biggest clients.
  - o From Bill's email, we know that he has spoken with Jeff and has discussed the DAF concept with him.
  - o We think that Jeff is the link between Bill and Jes and has been feeding Jes information to shape the Project.
  - o 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:**

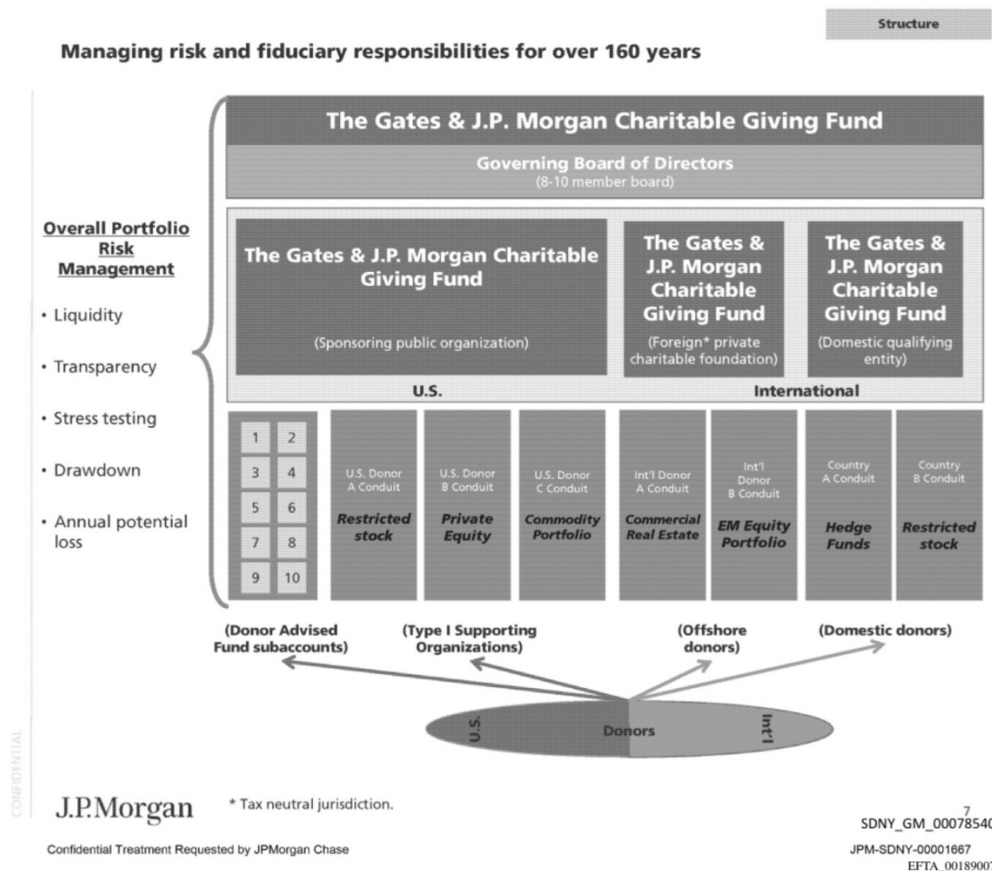
I am more than happy to meet with anyone you think moves this along .. cutler, jamie. . etc.. As mary said it need to be PROPER. . please consider , there are four major areas of huge opportunity for some mutually satisfactory arrangement. Gates and his entourage ( facebook, spotify ( parker ), Middle 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 Pritzker 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.

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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

JPM-SDNYLIT-00136978

- **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 perspectives, 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 quality people in any field, the charitable 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>

EFTA00976043



- **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

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 <[REDACTED]> 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

- **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 Larry's request I have spoken with Rodger, Mark, Chris, Trevor, Geoff =E2=9D=9C and next week Bose/Jonah. Everyone has offered guidance, advice thoughts and ideas.

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

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

Deliverables: <=div>

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

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

EFTA\_R1\_01904025  
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.

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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    | <u>\$410,653,228</u> |
| Total                            | <u>\$480,783,181</u> |

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:

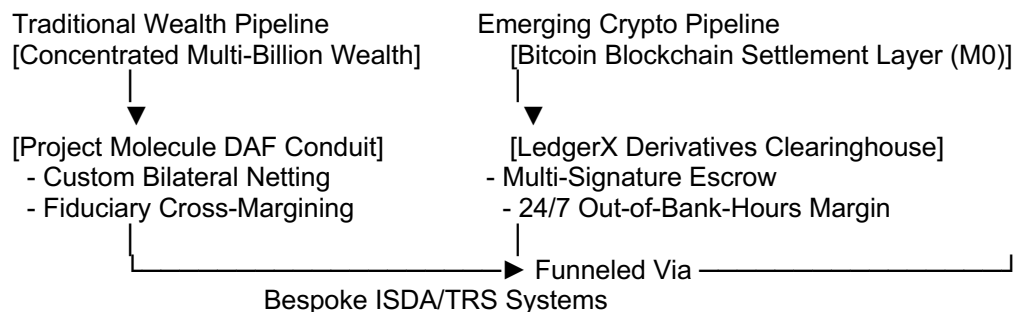
- **ISDA Infrastructure:** To trade customized derivatives, a counterparty must first execute an International Swaps and Derivatives Association (**ISDA**) master agreement. The U.S. Department of Justice documents show that JPM established this framework for Epstein on the Global Investment Opportunities (**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.

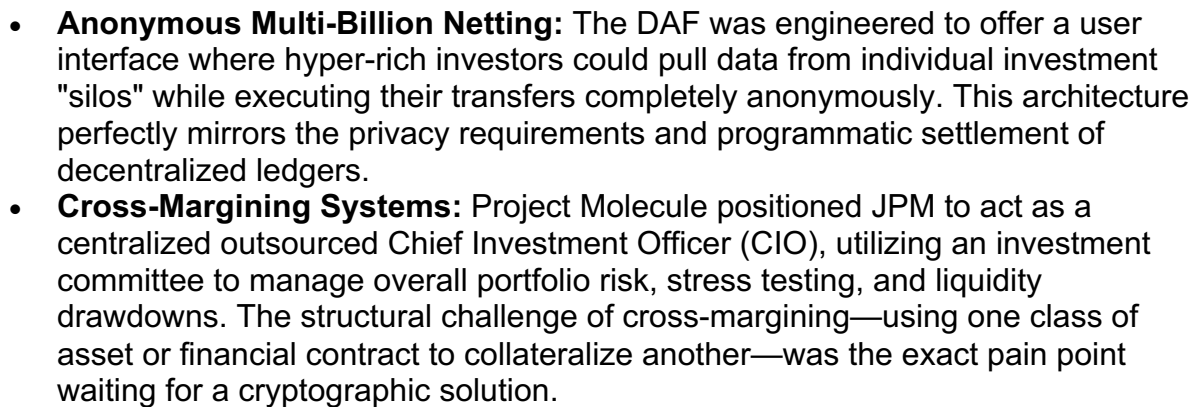
Date: Sunday, February 6 2011 12:10 PM

From: Jeffrey Epstein <jeevacation@gmail.com>

To: Jes Staley <jes.staley@jpmorgan.com>

ESTATE\_JPM001591

donor advised fund. / 1. you could tie it initially just to the gates program,, minimum gift. 100 million. it could then be opened up later. IT will be the largest foundation in the world. You need an advisory board for 1, investments. 2. distributions. . you will need an administration , mirroring a mutual fund. 4. tax compliance 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. the tension 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 boards It will be the most sort after board in the country.



### Structure



### 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.

© LedgerX

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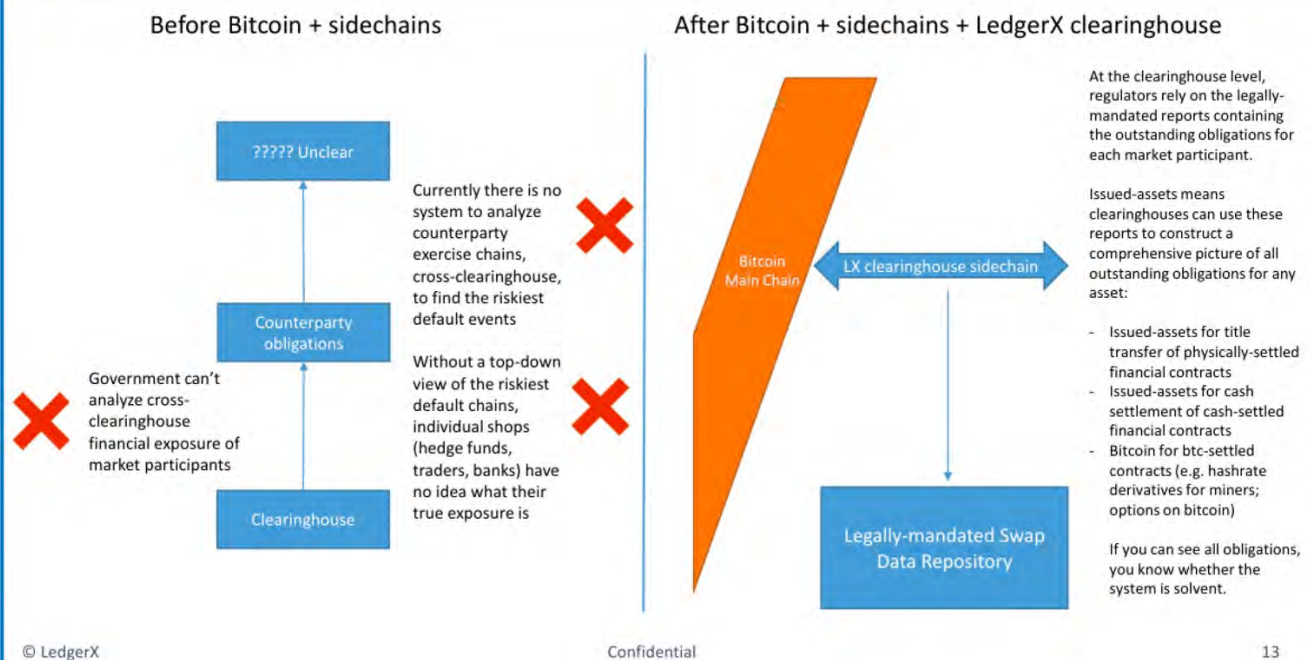
10



- **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.



## Are US Financial Institutions Solvent? Before and After





## 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 losing 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.<sup>4</sup>

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8 A I'm sure I could -- I'm sure I have that in files  
9 somewhere, but I do not have it committed to memory. As I  
10 said, there's two million claims, 87,000 filed claims, I  
11 don't have them committed to memory. I'm sorry.  
12 Q Did you hear debtors' counsel tell the Court that the  
13 debtors have \$26 quintillion in claims filed against them?  
14 A I think that number is a little off, but 20 -- over 20  
15 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

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

<sup>4</sup> 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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**Subject:** RE: Archegos update and **Portfolio Update**

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. **Baidu Inc** – ADR, **VipShop Holdings** – ADR, **Alibaba** – ADR, and **aidu** – ADR). The top 10 positions include 2 or 3 financial companies (2<sup>nd</sup> 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.

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212-405-7195

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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.



|                           |                                  |                                                                                                   |
|---------------------------|----------------------------------|---------------------------------------------------------------------------------------------------|
| <b>WELLS FARGO</b>        | <b>SECURITIES</b>                | <b>Wholesale Counterparty Credit Risk<br/>Credit Review – Hedge Funds<br/>Incremental Request</b> |
| <b>Investment Manager</b> | Archegos Capital Management, LLC |                                                                                                   |
| <b>Fund(s) Name</b>       | 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 6<sup>th</sup>, 2018, Archegos transferred over ~\$970M of equity securities, resulting ~\$800M in debits. This was followed by a second transfer on September 10<sup>th</sup>, 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 3<sup>rd</sup>, 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 | USD             |
|--------------------|-----------------|
| 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 |

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|                           |                                  |                                                                                                   |
|---------------------------|----------------------------------|---------------------------------------------------------------------------------------------------|
| <b>WELLS FARGO</b>        | <b>SECURITIES</b>                | <b>Wholesale Counterparty Credit Risk<br/>Credit Review – Hedge Funds<br/>Incremental Request</b> |
| <b>Investment Manager</b> | Archegos Capital Management, LLC |                                                                                                   |
| <b>Fund(s) Name</b>       | 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 |
| <b>TOTAL</b> | <b>-</b>                 | <b>1,963,239,568</b> | <b>87.69%</b> | <b>-</b>  |

- As of October 3<sup>rd</sup>, 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.

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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 as 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%          |               |
| <b>Total</b> | <b>386.4%</b> | <b>266.1%</b> |

| Sector                     | Long         | Short        |
|----------------------------|--------------|--------------|
| Internet, Media, & Telecom | 267.0%       | 15.2%        |
| Financial                  | 74.0%        | 43.7%        |
| Index                      |              | 114.1%       |
| <b>Overall</b>             | <b>24.0%</b> | <b>58.0%</b> |
| 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%        |
| <b>Fast Retaining</b> |       | <b>19.9%</b> |
| <b>Tesla</b>          |       | <b>19.3%</b> |
| Microsoft             |       | 18.2%        |
| Facebook              |       | 14.0%        |
| Vipshop Holdings      |       | 12.2%        |
| Alphabet - A          |       | 11.7%        |



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(U) Interview of Scott Becker on

Continuation of FD-302 of 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

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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?<br>Look at foxa and dis versus our names. Shows you the risk of market of one<br>I wonder what all the street chatter is saying. We could get found out                                                               |
| Berger   | You think?                                                                                                                                                                                                                                                                        |
| Chuang   | I think so<br>Cause this is extreme moves                                                                                                                                                                                                                                         |
| Sullivan | Everyone is going to say why are foxa and dis hardly down<br>But Viacom and disca down big                                                                                                                                                                                        |
| Chuang   | And China                                                                                                                                                                                                                                                                         |
| Sullivan | We were literally the market                                                                                                                                                                                                                                                      |
| Chuang   | If every stock takes 10% off performance<br>It's looking like 40-50% down                                                                                                                                                                                                         |
| Sullivan | We manipulated the stock price                                                                                                                                                                                                                                                    |
| ***      |                                                                                                                                                                                                                                                                                   |
| Sullivan | <a href="https://www.google.com/amp/s/www.barrons.com/amp/articles/heres-why-viacomcbs-and-discovery-stocks-are-tumbling-today-51616610549">https://www.google.com/amp/s/www.barrons.com/amp/articles/heres-why-viacomcbs-and-discovery-stocks-are-tumbling-today-51616610549</a> |
| ***      |                                                                                                                                                                                                                                                                                   |
| Chuang   | So they couldn't fill the full \$2bn?<br>Could only do 1.7?<br>Even with that discount                                                                                                                                                                                            |
| Berger   | Wow                                                                                                                                                                                                                                                                               |
| Sullivan | That's really really bad<br>Doing equity deal also dumb<br>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<br>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 Case 1:22-cr-00240-AKH Document 157-8 Filed 03/21/24 Page 12 of 38

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: Brw- 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 f'ing 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

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06/22/2020 21:28:05 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: Lick 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 uv

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 symbol

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 sillajen 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 an tomorrow

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

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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

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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.

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#### 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 <sup>1</sup> | Multiplier | Maturity Date | Trade Date | Effective Date | Long / Short / Unwind |
|--------------------|-----------------|------------|------------------------------------------------------------------------------|--------------------------------------|------------|---------------|------------|----------------|-----------------------|
|                    |                 |            | [SPB Bonds]<br>[SPB Shares]<br>[SPB Custom Basket] [SPB Index] [SPB Futures] | [Applicable][Not Applicable]         |            |               |            |                |                       |

| Number of Units | Initial Price / Final Price <sup>2</sup> | 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-CHF-RBA]<br>[HIBOR-HKAB]<br>[JPY-SWAP-ICE]<br>[NZD-OCR-RBNZ]<br>[SGD-SWAP-ABS]<br>[USD-LIBOR-ICE]<br>[GBP-LIBOR-ICE]<br>[EUR-EURIBOR-EBF] |

<sup>2</sup> 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 23, 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 Zubr 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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## Jurisdiction, regulations, licensing, and practices

FTX Crypto Derivatives Exchange  
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**BROWSE**

### 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

- Sign In
- 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 SRD 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.