

# VolX<sup>®</sup>

VolSwaps<sup>™</sup>

The Volatility Exchange<sup>™</sup>

## Form of Volatility

Realized Volatility

## Contract Types

1-month Realized Volatility

3-month Realized Volatility

12-month Realized Volatility

## Vol Formula

Simple standard deviation formula regardless of underlying asset

## Underlying Assets

Aggressive roll-out schedule in all major asset classes: equity indices, currencies, rates, and commodities

## Performance Bond

Futures-style margining

## Regulator

Commodity Futures Trading Commission (CFTC)

## VolX Indices

VolX indices are available in three types, each with three time frames, for a total of nine indices per underlying asset. Indices are *not* used for settlement of a VolSwap instrument. They should be used as a guide only. Please visit [www.volx.us](http://www.volx.us).

## The Exchange

VolX exchange is dedicated to trading realized volatility on a wide variety of assets. Market participants can trade the volatility, or movement, of an underlying asset or instrument regardless of direction.

## VolSwap Instruments

VolSwap instruments are standardized, centrally cleared, over-the-counter (OTC) instruments that capture the inter-day Realized Volatility of an underlying asset, index, or instrument.

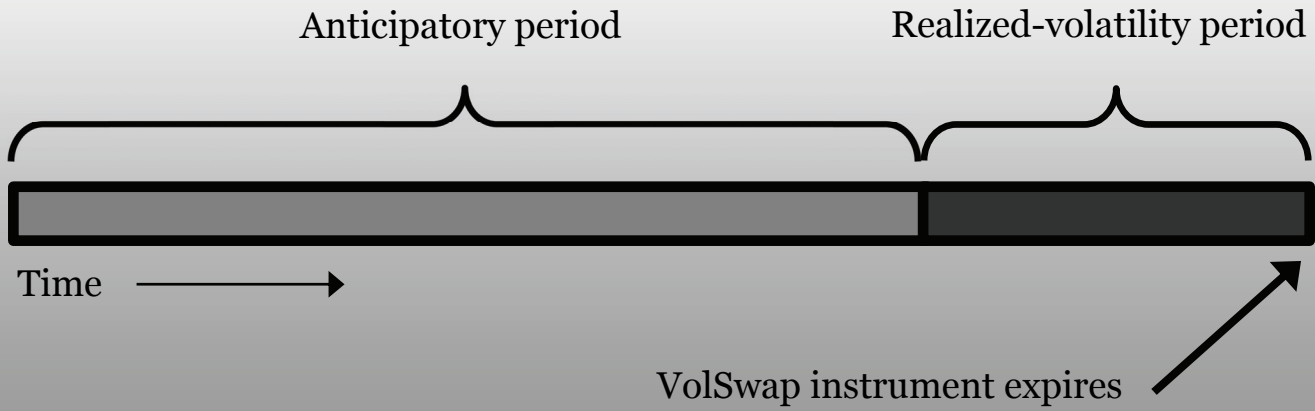
The 1-month VolSwap (1Vol<sup>™</sup>), 3-month VolSwap (3Vol<sup>™</sup>), and 12-month VolSwap (12Vol<sup>™</sup>) allow market participants to hedge against, invest in, or speculate on Realized Volatility on a short-term (about one month), intermediate-term (about three months), or even long-term (one year) basis.

“Risk comes from not knowing what you’re doing.”

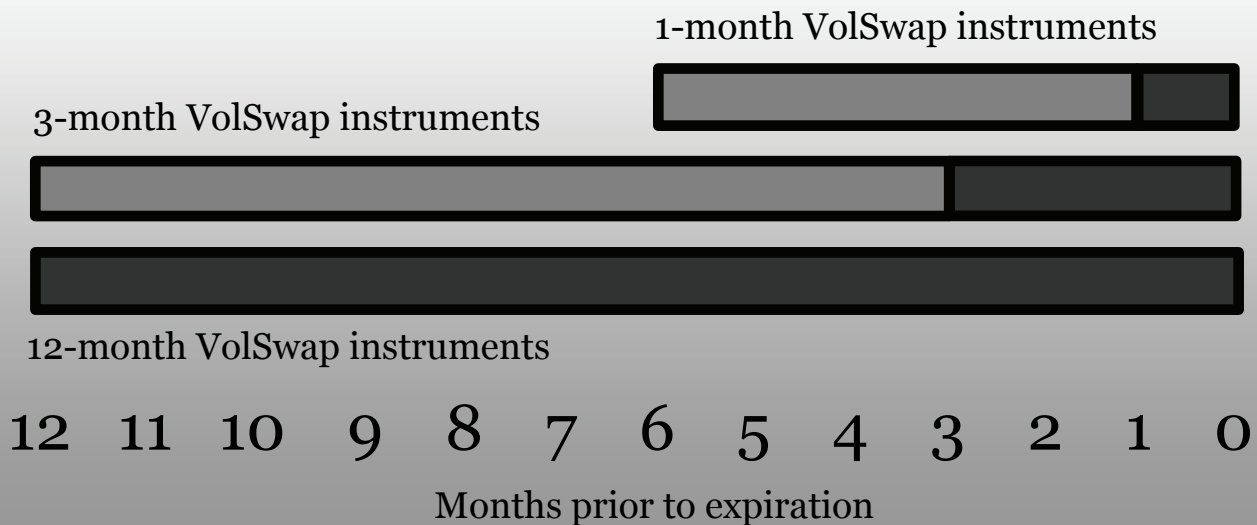
— Warren Buffett

$$\sqrt{\frac{252}{n} \sum_{t=1}^n R_t^2}$$

# The Life of a VolSwap Instrument



## Three Realized-Volatility Periods\*



\*All time frames are approximate.

# Comparison to Existing Products

Features	VolSwaps (realized volatility)	VIX <sup>®</sup> Futures (implied volatility)	Volatility & Variance Swaps (realized volatility)	Delta-Neutral Hedging (realized volatility)
Expires to actual, or realized, volatility or variance	✓	X Expires to a forecast	✓	X Path dependency does not provide "pure" volatility exposure
Appeals to retail traders	? Available only on OTC platforms	X Does not necessarily react to changes in realized volatility	X No access	X Too complicated
Appeals to option market-makers	✓	? Available on only a few equity indices, and not an effective hedge	? May be difficult to execute quickly and at favorable prices	✓
Appeals to investment banks and institutions	✓	X Not willing to risk capital on forecasting a future forecast of volatility	✓	✓
Appeals to portfolio managers	✓	? So far, has worked only based on S&P 500 <sup>®</sup>	? Losses can be extreme for variance swaps	X Requires constant monitoring
Exchange-cleared (regulated with no credit risk)	✓	✓	X Subject to credit risk	✓
Not subject to market manipulation	✓	X Special opening quote that depends on liquidity	✓	? Large swings in P&L possible due to inconsistent marking policies
Transparency and price discovery	? Almost exchange-like pricing transparency	✓	X No public quote	✓
Could be traded on all assets	✓	X Only on very liquid option markets	? Must be traded in large size	✓
Easy to calculate	✓	X Formula is complex and cannot be verified without fee paid for data feed	✓	X Calculation requires execution prices and commissions for each transaction
Execution costs low	✓	✓	? No direct expense, but execution price may not be favorable	X Market spreads and commissions on all legs and follow-up trades

VIX is a registered trademark of The Chicago Board Options Exchange, Incorporated.

S&P 500 is a registered trademark of Standard & Poor's Financial Services LLC.

## Detailed Information\*

### Contract Types

Offered with three Realized-Volatility Periods: roughly one, three, and twelve months.

- 1-month VolSwaps (1Vol)
- 3-month VolSwaps (3Vol)
- 12-month VolSwaps (12Vol)

The 1Vol will correspond to monthly expirations, the 3Vol will typically correspond to quarterly expirations, and the 12Vol will typically also correspond to quarterly expirations.

### Two Sizes

- A full size with \$1,000 multiplier for all financial products
- A mini size with \$100 multiplier for commodity products

### Tick Size

Two tick sizes, depending on the size of the VolSwap instrument:

- The full-size, with a minimum tick of 0.01, or \$10 per tick.
- The mini-size, with a minimum tick of 0.05, or \$5.

### Underlying Reference Prices

The designated prices used in the VolX formula. Typically, these values are the daily “close,” “last,” “final,” or “settlement” price of the underlying asset, index, or instrument.

### Realized-Volatility Period

The period used by the VolX formula to calculate the contract settlement price of the VolSwap instrument.

### Price Quote

Volatility is typically referred to as a percentage, but will be quoted without the percentage sign (“%”); e.g., 23.45% is quoted as 23.45.

### First Trading Day

The 1Vol should be listed about three to six months prior to expiration, and the 3Vol and 12Vol should be listed one year prior to expiration.

### Expiration Date

Typically corresponds to the associated options expiration date (not necessarily when the underlying futures contract expires).

### Settlement

Cash

### The VolX Formula

A mathematical formula used to calculate the annualized standard deviation of continuously compounded daily returns of an underlying asset or instrument, assuming a zero mean. The same formula is used for all Realized-Volatility calculations at VolX.

$$\text{Vol} = 100 \cdot \sqrt{\frac{252}{n} \sum_{t=1}^n R_t^2}$$

### Where:

- Vol = Realized Volatility
- n = number of trading days in the period
- $R_t$  = continuously compounded daily returns as calculated by the formula:

$$R_t = Ln \frac{P_t}{P_{t-1}}$$

### Where

- $Ln$  = natural logarithm
- $P_t$  = Underlying Reference Price at time t
- $P_{t-1}$  = Underlying Reference Price at the time period immediately preceding time t

### For more information

www.VolX.us  
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\*Subject to change. Details vary according to the underlying asset. The rules of The VolX Group Corporation, when adopted, may not be consistent with the above details. The information provided herein must not be relied upon and The VolX Group Corporation will not be liable for actions taken or not taken in reliance thereon. This brochure is for informational purposes only and is not an offer to sell or solicitation of an offer to buy any securities in the Company and may not be relied upon in connection with the purchase or sale of any security. Investment Interests in the Company, if offered, will be available only to parties who are “accredited investors” (as defined in Rule 501 promulgated pursuant to the Securities Act of 1933, as amended) and who are interested in investing in the Company on their own behalf. Any offering or solicitation will be made only to qualified prospective investors pursuant to a confidential offering memorandum and the subscription documents, all of which should be read in their entirety.