

RSKFREx™

*Rolling Short-Term **K**ey **F**unding **R**eference Index & Rate*

RSKFREx™ Rules and Methodology
(As of 5/16/2022)

Index Description

The RSKFREx™ (Rolling Short-term Key Funding Reference Index) is a fixed income total return benchmarking suite that emulates recurring investment in a prevailing short-term 4-week U.S. Treasury Bill. The suite is comprised of the RSKFREx™ Index and the corresponding RSKFREx™ Rate. Both fluctuate directly with prevailing market rates, are settled daily, and rebalanced monthly to provide a realistic representation of the execution economics from “rolling” 4-week U.S. Treasury Bills, allowing for straightforward, practical, and highly flexible benchmarking of excess returns and/or funding costs.

Index Administration Description

Index/Index Suite:	RSKFREx™ (the “Index”)
Launch Date:	2022-05-16
Valuation Start Date:	2001-12-31
Index Administrator:	MF & Co., LLC
Calculation Agent:	MF & Co., LLC
Copyright and Licensing:	MF & Co., LLC
Pricing Source(s):	U.S. Department of the Treasury
Security Data Source(s):	U.S. Department of the Treasury

Constituent Protocols

The RSKFREx™ constituency is 100% comprised of a single-security holding, the 4-week U.S. Treasury Bill, a representative sovereign debt instrument of the U.S. Department of the Treasury (the Treasury). This benchmark security has substantial liquidity, significant par outstanding, and has been issued continuously since 2001. Terms & conditions, auction results, and key market metrics are publicly disseminated via the Treasury’s website, providing for a suitable short-term sovereign credit risk reference security.

Replacement – If the Treasury discontinues issuance of the 4-week U.S. Treasury Bill, the Index Administrator will designate an alternative single-security instrument replacement holding that has substantially similar characteristics, and exhibits significantly analogous performance, or the Index Administrator/Calculation Agent expects significantly analogous performance, to the 4-week U.S. Treasury Bill.

Rebalancing Protocols

Frequency – The Index is rebalanced monthly, on the last business day of the month.

Security Eligibility Date - Security inclusion for rebalancing is determined as of the last business day of the month prior to each respective index calculation month.

Principal and Coupon Payments - U.S. 4-Week Treasury Bills (single security reference) are sold at a discount, therefore do not make periodic principal and coupon payments, only a single face value principal payment paid at maturity.

Reinvestment - Bond payments distributed within a respective valuation month are carried as cash until the end-of-month rebalancing date, effectively getting reinvested in the Index the following month, as part of that month's starting Index Value.

**Market Pricing/
Valuation Protocols**

Calendar – The RSKFREx™ will follow the US bond market trading day and holiday schedule as publicly released by the Securities Industry and Financial Markets Associations (SIFMA).

Timing - Market prices/valuations will be taken on each market trading as of the end of the day.

Source(s) - Market prices/valuations will be referenced from the U.S. Department of the Treasury (<https://home.treasury.gov/resource-center/data-chart-center/interest-rates/>).

Month-End Marking - For month end valuation/subsequent following month starting values, market prices/valuations will be taken as of the last business day of the month.

Bid/Offer Price - The Index utilizes market bid-side prices.

Settlement - For Index calculations, cash settlement (T+0) is assumed in order to emulate practical entry or exit of investment into or out of the Index on any valuation day.

Calculation Protocols

The Index Value, Rate, and subsequent periodic total returns, are based on daily end-of-day calculations throughout each monthly Valuation period. During each Valuation period, the Index's constituent(s) month-to-date total return is calculated on each Valuation day, based on respective beginning-of-month market values, until the rebalancing date on the last business day of every Valuation month. Index Value changes are a direct function of the aggregated Security Index Value(s) and returns contributed by each underlying constituent security/securities, based on their respective Index Market Values and associated weightings included in the Index each monthly inclusion period:

- ❖ **RSKFREx™ Index Value*** – The Index Value reflects the cumulative Life-To-Date Total Return percentage calculated from constituent Month-do-Date Index Total Return percentages over time, starting from the Base Index Value at the Valuation Start Date (the Index inception):

Base Index Value: 100.00000000
On Respective Valuation Start Date

Index Value (Calculated At End of Day)

$$\text{Base Index Value} \quad \times \quad (1 + \text{Cumulative Life-To-Date Index Total Return \%})$$

**The Base Index Value may be adjusted for operational purposes or methodology changes approved by the Index Committee. In this case, the historic Index Value would be re-calculated and re-indexed for the entire time series as warranted, but would still preserve historical total return percentage changes.*

- **Index Month-to-Date Total Return %** - Base total returns for the Index are calculated on a month-to-date basis. Each monthly Index valuation period, constituent securities and their contributions to Index total returns are based on an individual security's Market Value Weight established at the start of each monthly Valuation period.

MTD Index Total Return % =

$$\sum [\text{Beg. of Month Security Index Market Value Weight \%} \times \text{MTD Security Total Return \%}]$$

Beg. of Month Security Index Market Value Weight % =

$$\text{Beg. of Month Security Index Market Value} / \sum \text{Beg. of Month Security Index Market Values}$$

Note: The RSKFREx™ contains a single security, therefore the Beg. of Month Security Index Market Value Weight % of the single security is 100%

Beg. of Month Security Index Market Value =

$$[1 - (\text{Prior-End-Of-Month 4-Week U.S. T-Bill Bank Discount Rate} / 360 \times (\text{Days difference between Prior Month's Last Business Date \& Current Valuation Month's Last Business Date}))]$$

X

100.00

Security Index Market Value =

$$[1 - (\text{Valuation Date 4-Week U.S. T-Bill Bank Discount Rate} / 360 \times (\text{Days difference between Valuation Date \& Current Valuation Month's Last Business Date}))]$$

X

100.00

Note: For computational simplification, the RSKFREx™ Security Index Market Value assumes that at the beginning, and throughout each respective Valuation Month, the prevailing 4-Week U.S. Treasury Bill's maturity date is the last business day of the current Valuation Month, and the term to maturity is equivalent to the number of accrual days between the last business day of the current Valuation Month and the last business day of the immediately preceding month.

MTD Security Total Return % =

$$[\text{Security Index Market Value} / \text{Beg. of Month Security Index Market Value}] - 1$$

Daily Index Total Return % =

$$[(1 + \text{MTD Index Total Return \%}) / (1 + \text{Prior Day's MTD Index Total Return \%})] - 1$$

- ❖ **RSKFREx™ Rate** – On each Index valuation day, the Index imputes an effective 1-month interest accrual rate based on the prevailing market 4-Week U.S. Treasury Bill Bank Discount rate, the derived Bill purchase price, the accrual days within each respective monthly Index valuation period, and the Bill’s projected receipt of its face value. This imputed effective 1-month interest accrual rate is then annualized to an actual/360 day-count convention to derive the RSKFREx™ Rate, which represents the Index's implied interest rate.

Rate (Calculated At End of Day)

$$[(1 / (1 - (\text{Valuation Date 4-Week U.S. T-Bill Bank Discount Rate} / 360 \times (\text{Days difference between Prior-Month's Last Business Date \& Current Valuation Month's Last Business Date})))) - 1]$$

X

$$[360 / (\text{Days difference between Prior-Month's Last Business Date \& Current Valuation Month Last Business Date})]$$

RSKFREx™ Calculation Rounding Conventions

	<u>Decimal</u>	<u>Format</u>
	<u>Rounding</u>	
Bank Discount	8	12.12345678%
Index Adjusted Price	8	1,234.12345678
Market Value Beg Mth	8	1,234.12345678
Index Value	8	1,234.12345678
Periodic Total Return	8	12.12345678%
MTD Total Return	8	12.12345678%
Index Inception Total Return	8	12.12345678%
Index Rate	8	12.12345678%

For information on RSKFREx™ licensing requirements, data usage, and redistribution of the RSKFREx™ Index and RSKFREx™ Rate, please contact:

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