



High-Level Executive Summary
(for sophisticated futures-industry participants)

1 May 2022



The Exchange of Ideas™



Executive Summary

The Project

Parent Company: Demand Derivatives Corp.

Exchange: RealDemand Board of Trade (“RealBOT™”)

Clearing House: RealDemand Clearing (“RealClear™”)

Regulatory: application for DCM/DCO with CFTC, securities exchange with SEC

Vision: to rival the largest derivatives exchange groups in the world

Mission: to save traders from the risk of ruin and the industry from a derivatives-induced contagion

Goal: to provide better instrument designs with better risk/reward profiles at much lower cost

Phase I: list three novel instrument designs on six major assets.

Phase II: list roughly 40 country equity indices.

Phase III (wish list): Partner with two more exchanges (one in Europe and one in Asia) to offer near-24-hour regional coverage and global liquidity — similar to an airline alliance — and satellite exchanges as desired.

Unique Product Lines

RealLimit™: limited-risk futures (absolute loss limits while allowing for “unlimited” upside potential)

RealVol®: realized volatility products (build on the success of the large volatility swap market)

RealDay™: delayed-strike daily options (superior hedging capability over standard weekly options)

RealGlobe™: a “world index exchange” of country and regional indices with nine innovative and large cost-savings features

Benefits/Solutions

Default Risk: eliminated

Data Fees: eliminated

Default Fund: eliminated

Guarantor Risks: eliminated

FCMs: up to 50% revenue sharing of our Exchange Fees (upon CFTC approval)

DMMs: counterparty to nearly 100% of all orders

Market Microstructure: revamped to incentivize DMMs with top-of-book liquidity

Clearing: instant

Settlement: cash

Convergence: same final settlement as the competing exchange

Assets: the top asset in each of the six major assets classes (no crypto)

Leverage: the same or more than standard futures

Risks: absolutely constrained

Upside Opportunity: limited or unlimited (at trader’s discretion)

Costs/Fees: slashed by 50% to 90%

Operations/Technology

Exchange Technology: powered by GMEX

Clearing Technology: powered by GMEX

Servers: expecting main server at exchange data centers in Aurora, IL (Chicago), with backup server in Secaucus, NJ (New York) also possible to use AWS.

Trade Data: ICE Data Services

Index Data: Bloomberg and Nasdaq Data Link

Collateral Custody: U.S. Bank

Clearing House Cost Savings (estimated at 90%)

Gross and Net Margins: RealClear clears only fully collateralized positions — no default risk, no credit risk, yet still allows for net scenario margining for market makers (gross margining for customers)

No Default Fund: eliminates billions of idle cash posted by clearing members

Margin: eliminates the risk-modeling group (no need to define the “correct” margin level)

Settlement: eliminates physical delivery (a cash settlement process is vastly simpler)

Guarantors: eliminates the need for clearing members

Soundness: no need to perform a daily “audit” on clearing members (saves money and time)

Conflicts: outsource compliance and surveillance to NFA (reduces conflicts of interest)

Accounting: convert to an internal blockchain (produces additional efficiencies and an immutable record of all transactions)

Variation Margin: eliminate the need for daily variation margin

Cash Movements: eliminate the need for daily cash payments to counterparty

Traction

Exchange: in the U.S., BOX Options Exchange entered into a long-term license agreement with DDC to list RealVol and RealDay instruments on securities

Options Exchange: a signed Letter of Intent with a U.S. options exchange to use clearing house as an adjunct to OCC

Fiduciaries: asset managers, pension funds, and hedge funds compelled to seek out lower-cost, lower-risk providers.

Market Makers: several expressed interest in becoming a DMM.

Retail: smaller investors like the limited-risk feature of RealLimit and are excited about the low price and large payoff potential of RealDay

Investment Banks: expressed interest in selling RealDay options on a systematic basis, hedging volatility exposure with RealVol, executing global equity indices more efficiently with RealGlobe, and reducing tail risk with RealLimit

FCMs: no defaults means less customer risk for FCMs

Regulators: received accolades on our RealLimit approach from officials at the FED, CFTC, and NFA

Hedge Funds: many more vol funds in existence now and a lot of interest in RealVol as a listed alternative to vol swaps

Competition

RealLimit™: will compete with the CME's major assets

RealVol®: will compete with Cboe's VIX® contract

RealDay™: will compete with options exchanges

RealGlobe™: will compete with global exchanges

RealClear™: will compete with OCC clearing house

Timeline

Exchange launch expected in 9–12 months after Round A (\$6m) funding. Sustainability expected 12–18 months after launch and Round B (\$20m) funding.

Major pre-launch tasks occurring simultaneously (upon Round A funding):

- **Regulatory:** counsel prepares DCM/DCO application with CFTC (60 days to filing)
- **Approval:** after filing, the CFTC has a stated 180-day review period
- **Technology:** install systems, program for special features of our new instruments, and test (90–180 day install, including custom programming and testing)
- **Oversight:** outsource surveillance and compliance to NFA (60–90 days onboarding)
- **Trade Data:** testing and distribution of market quotes through ICE Data Services (60–90 days)
- **Order Entry:** connections and testing of front-end order processing systems (30–60 days)
- **FCM Connectivity:** connection and testing of back-office processing systems (60–90 days)
- **IP:** counsel to advance patents and proliferate our IP in key foreign countries (ongoing)
- **Marketing:** extensive marketing campaign (pre-launch and post-launch)
- **Initial Assets:** build volume in six major assets, then launch on other assets as demand dictates
- **World Indices:** launch large-scale RealGlobe project and partner with existing exchanges around the globe

Note: Almost all processes can be performed independently (i.e., in parallel) such that the entire process from funding to launch should take 9 to 12 months.

Use of \$6m Round A Proceeds

Goal of First \$2m: get to launch (technology, IP, regulatory, connections/partners)

Goal of Second \$2m: get to a *successful* launch (all-out marketing campaign)

Goal of Third \$2m: held in bank to satisfy CFTC capital reserve requirements

Use of \$20m Round B Proceeds

Goal: get to breakeven/sustainability in 12- to 18-month ramp-up period.

Budget: roughly 45% marketing, 45% operations, 10% administrative and misc.

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