



markit™

Frequently
Asked
Questions

Markit's History and Ownership

When was Markit founded and by whom?

Markit was founded in 2001 in order to create an independent source of daily credit default swap price verification. Established by a group of executives led by Lance Uggla, the company obtained equity financing beginning in 2003 and has since developed or acquired a wide range of data, valuation and trade processing products and services, across multiple asset classes, that enhance transparency, reduce risk and improve operational efficiency in the financial markets.

Today, Markit is a leading, global financial information services company with over 1,400 employees in 10 cities including London, New York, Delhi, Singapore and Tokyo. Our client base includes the most sophisticated institutional participants in the financial market place. Over half our clients are asset managers and hedge funds; a quarter are banks and securities firms; the remainder are fund administrators, rating agencies, central banks, governments, regulators and auditors.

Who owns Markit today?

Markit is a privately-held UK company headquartered in London and owned by company employees, private investors, and numerous buy- and sell-side financial institutions. No single institution or individual owns 10% or more of the company.

Markit's CDS Pricing Process

How are Markit's CDS prices compiled?

We are committed to the integrity and independence of our data products, and the processes used to develop them. Our CDS pricing service is created from inputs from over 40 financial institutions' books and records including banks, and quotes data from buy-side institutions, inter-dealer brokers and electronic trading platforms. We seek to expand our data sources continuously, with contributions from additional market participants, in order to produce the most comprehensive, high quality data set.

We run the inputs received (over one million data points) through cleaning algorithms and analytical processes in order to strip out outliers and stale data. This overnight process takes around four hours and results in a daily composite dataset which is published on markit.com at 7am London time and made available to all our customers in the same manner and at the same time. The resulting T+1 price data is used by our customers primarily for mark-to-market. We also make the methodology we use available to all our customers.

Why does Markit not use actual traded prices?

Markit provides mark-to-market pricing information on a far broader universe than the names that are regularly traded. Our data is a cleaned composite of books and records data, not traded prices since these are simply not a widely available or comprehensive data source. In addition, we use quoted prices received from buy-side institutions, inter-dealer brokers and electronic trading platforms as a further consistency check during the cleaning process.

How timely is your data?

Markit produces an independent, high quality T+1 data set which is published by 7am London time. The identical data set is made commercially available to all our customers at the same time. We also provide more timely pricing products including a same day product for funds, and intraday pricing for CDS indices and their constituents.

Do you make any data freely available?

Our daily CDS index closing prices are freely available on our website and we offer 15 minute delayed CDS index real-time data for our leading indices on the home page of our website. In addition, we have a wide range of data and related information freely available on www.markit.com/cds; including:

- the last quote received by Markit before New York close of trading for approximately 450 of the most liquid CDS contracts, including G20 sovereigns, large financial corporations and constituents of the Markit iTraxx and Markit CDX indices;
- the biggest daily single-name CDS movers in North America, Europe and Asia; and
- daily Markit/ICE Trust CDS settlement prices for the most liquid Markit CDX index contracts listed for clearing by ICE Trust.

We provide daily index levels for the headline Markit CDX and Markit iTraxx indices as follows:

- Markit CDX:
www.markit.com/en/products/data/indices/credit-and-loan-indices/cdx/cdx.page?#
- Markit iTraxx:
<http://www.markit.com/markit.jsp?jspage=indices.jsp>

We also provide daily index prices and monthly historic data for the Markit iBoxx indices at www.iboxx.com (registration required)

Are you working with CCPs to help them clear CDS trades?

We are working closely with all the leading clearing solutions to provide them with the data, information and index licenses they require. Markit provides high quality products and services across all the major over-the-counter asset classes, including credit, that improve transparency and operational efficiency.

Markit's Indices

How does Markit run its indices?

Markit's indices are independent, objective and rules-based. Our flagship credit default swap indices, the Markit iTraxx and Markit CDX, are widely traded by licensed market makers (over 30 for the former and 13 for the latter) and allow institutional investors to hedge or gain exposure to a specific asset class. Credited with bringing greater transparency and liquidity to the financial markets, Markit's credit indices are regarded as efficient barometers of risk and are referenced throughout the media.

The Markit iBoxx bond indices are market-leading fixed income benchmark indices and include GBP, USD, EUR, EUR HY, global inflation-linked and emerging market indices. They form the basis for structured products and provide data for fixed income research, asset allocation and performance evaluation.

Information about the management of our indices such as index rules, roll information and constituent lists is publicly available on our website as follows:

- Markit iBoxx:
www.markit.com/en/products/data/indices/bond-indices/iboxx/rules.page?
- Markit iTraxx:
www.markit.com/en/products/data/indices/credit-and-loan-indices/itraxx/documentation.page?
- Markit CDX:
www.markit.com/assets/en/docs/products/data/indices/credit-and-loan-indices/rules/Markit-CDX-LCDX-Rules.pdf
- The Markit iTraxx and Markit CDX 'roll' every six months and names that have become illiquid or distressed are replaced. Markit determines index constituents based on the DTCC's information on CDS trading volumes.

Markit's index families have a strong governance structure through external technical and oversight committees which can include a combination of market makers, investors, consultants and regulators. These committees provide advice and guidance on index creation and management.

Markit's Indices (cont'd)

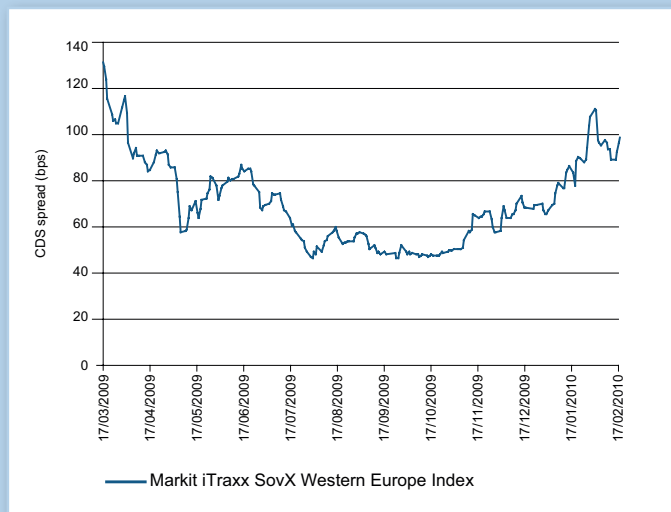
There has been significant interest in sovereign CDS recently. What is the Markit iTraxx SovX?

The Markit iTraxx SovX family of indices was conceived in March 2009 and launched in July 2009. The indices are independent, standardised and rules-based. The Western Europe index started trading in September 2009 and the CEEMEA index started trading in January 2010. The family of indices is comprised of:

- Markit iTraxx SovX G7 – tracking the credit risk of the most industrialised countries in the world.
- Markit iTraxx SovX Global Liquid IG – tracking the credit risk of countries in Asia Pacific, Eastern Europe, Latin America, Middle East & Africa, North America and Western Europe.
- Markit iTraxx SovX Western Europe – tracking the credit risk of 15 countries in Western Europe.
- Markit iTraxx SovX CEEMEA – tracking the credit risk of 15 countries in the CEEMEA region.

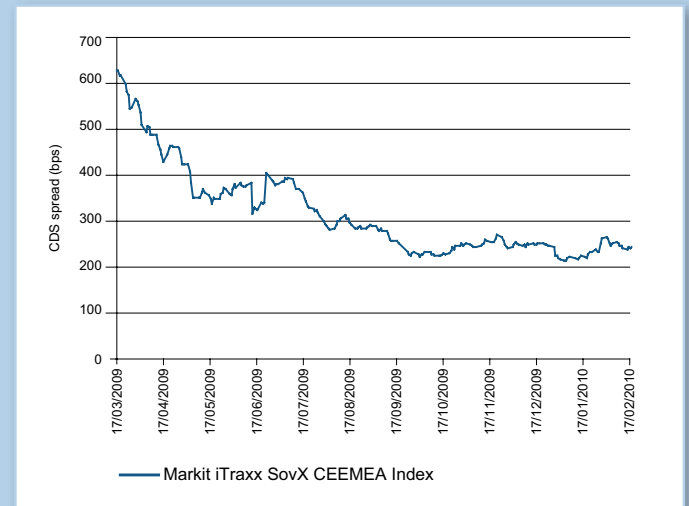
There are 15 sovereigns in the Markit iTraxx SovX Western Europe index and they are all equally weighted e.g. Greece represents 6.7% of the index. The index consists of:

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|-------------------------------|------------------------------|--|
| ■ Federal Republic of Germany | ■ Kingdom of Norway | ■ Republic of Austria |
| ■ French Republic | ■ Kingdom of Spain | ■ Republic of Finland |
| ■ Hellenic Republic | ■ Kingdom of Sweden | ■ Republic of Italy |
| ■ Ireland | ■ Kingdom of the Netherlands | ■ United Kingdom of Great Britain and Northern Ireland |
| ■ Kingdom of Belgium | ■ Portuguese Republic | |
| ■ Kingdom of Denmark | | |



The Markit iTraxx SovX CEEMEA (Central, Eastern Europe, Middle East and Africa) index is comprised of the following 15 sovereigns:

- | | | |
|--------------------------|----------------------------|----------------------|
| ■ Abu Dhabi | ■ Republic of Latvia | ■ Romania |
| ■ Czech Republic | ■ Republic of Lithuania | ■ Russian Federation |
| ■ Republic of Bulgaria | ■ Republic of Poland | ■ State of Qatar |
| ■ Republic of Croatia | ■ Republic of South Africa | ■ Ukraine |
| ■ Republic of Hungary | ■ Republic of Turkey | |
| ■ Republic of Kazakhstan | | |



Do you trade the indices?

We provide financial information services, such as data and indices, to our clients and we make a significant amount of this information freely available on our website. We are not, however, party to trades between dealer and client, and we provide no advice or recommendations in respect of trading activity.