

Clearinghouse functions

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The clearinghouse function is managed by ICAP Capital Markets LLC. Agreements referencing vivaDex™ longevity indices are partly collateralized with cash or other eligible assets placed in escrow. These agreements enable investors and hedgers to gain exposure to a specific pool of life-contingent assets or liabilities.

Every buyer or seller of a vivaDex™ longevity index lodges a performance bond which is entirely at risk. The risk of buying the index is not necessarily the same as the risk of selling the index, so the amount of performance bond required from an index buyer may be different to that required from a seller. The longer the exposure the greater the performance bond required.

VivaDex™ indices change over time, resulting in changes in value to agreements that reference them. An investor's maximum loss is equal to the amount of performance bond lodged by that investor. Investors whose positions become under-collateralized have the option, but not the obligation, to top up their performance bond with additional investment. Additional investments are entirely at risk.

Each agreement has an expiry date, but will end sooner if an investor's performance bond is exhausted and that investor declines to top-up the performance bond.

The patent-pending partial collateralization process offsets the cost of deliberate and imperfect collateralization with the benefits of reduced counterparty credit risk, induced leverage and a capped maximum loss.

ICAP acts as buyer to every seller and seller to every buyer, yet vivaDex™ index buyers and sellers have no exposure to ICAP's credit risk, nor any claim on ICAP's assets, as recourse is solely to the funds or other assets held in escrow and managed by ICAP.

ICAP's responsibilities to any buyer or seller are to:

- verify with the nominated escrow institution that each counterparty to an agreement has lodged performance bond either in cash or other eligible asset;

- instruct the escrow institution to distribute cash, or liquidate eligible assets to generate cash, to counterparties in response to computed changes in vivaDex™ values.