

## **Information Statement & Disclosure for Pre-Trade Marks**

For swaps conducted by Wells Fargo Bank, N.A. (WFBNA)

### **Pre-Trade Mark**

The Pre-Trade Mark is the “mid-market mark” disclosed to you pursuant to CFTC Rule § 23.431(a)(3) with respect to the disclosure of the price of a swap prior to execution. As used herein, references to "mid-market mark" are to such pre-trade mid-market mark.

### **Manner of Disclosure & Availability**

As a registered swap dealer, WFBNA may disclose a swap’s mid-market mark to you by any of the methods we have agreed in writing, including personal communication (whether in person, by telephone or through electronic communication networks or systems) or via email, mail or fax to the address or fax number you may provide for such purpose. As permitted by CFTC rules and agreed with WFBNA, such mid-market mark may be confirmed through an internet-based application using one or more password protected websites, which may vary by asset class.

Once a mid-market mark for a swap is made available to you on such website, you may access such mid-market mark for at least thirty calendar days from the swap’s trade date, or, if the tenor is less, for at least the life of the swap.

### **Timing & Scope**

CFTC Rule § 23.431 requires a swap dealer or major swap participant to disclose to a counterparty the price and mid-market mark of a swap at a reasonably sufficient time prior to entering into the swap to allow the counterparty to assess the material incentives and conflicts of interest that the swap dealer or major swap participant may have in connection with the swap. However, a mid-market mark may not be disclosed (i) for a swap initiated on a designated contract market or a swap execution facility where the identity of the counterparty is not known prior to execution, or (ii) for certain types of swaps that have sufficiently liquid two-way markets with observable bid and offer prices (and/or mid-market prices) where the CFTC (or a division or office thereof) has deemed such disclosure by swap dealers and major swap participants to be unnecessary, whether by rule, order, decree, interpretation, no-action letter or other official release. WFBNA intends to disclose the price and mid-market mark of a swap in conformity with such requirements and exceptions, and we will consider your entry into the swap as your deemed acknowledgement that you had sufficient time to make such assessment.

This Information Statement & Disclosure for Pre-Trade Marks is provided for swaps in the following asset classes: interest rates, currencies, foreign exchange, commodities and credit. WFBNA reserves the right to provide you with this Information Statement & Disclosure for Daily Marks in connection with transactions you conduct with one business unit of WFBNA and one or more other forms of an information statement and disclosure for daily marks (however described) in connection with transactions you conduct with another business unit of WFBNA. Any such other form may contain other or different information and/or reflect methodologies and assumptions that may be similar to or different from those described herein.

### **Composition and Format**

The mid-market mark for a swap generally represents a mid-point between an estimated bid price and an estimated offer price for comparable swaps in the relevant market and is generally quoted either, in the same format as the price for the swap, which may be expressed as a rate, spread, price, upfront payment or other measure or amount, as applicable, or, where you receive a two-way market (i.e. bid and offer) from WFBNA, WFBNA may direct that the mid-market mark is the arithmetic average of (or midpoint between) the bid and offer prices provided. As required by CFTC Rule § 23.431(d), a mid-market mark disclosed by a swap dealer or major swap participant does not include amounts for the swap dealer's or major swap participant's profit, credit reserve, hedging, funding, liquidity, or any other costs or adjustments.

Accordingly, without the inclusion of any of these costs or adjustments, the mid-market mark disclosed to you for a swap may not reflect the mid-point between a bid (or offer) price that WFBNA may be willing to quote to you for the swap and a corresponding offer (or bid) price that WFBNA may be willing to quote to other market participants for comparable swaps. Rather, it may represent what WFBNA determines or estimates would be the midpoint between bid and offer prices that (i) WFBNA may be willing to quote to other swap dealers, market makers or liquidity providers for comparable swaps, or (ii) other swap dealers, market makers or liquidity providers may be willing to quote to WFBNA for comparable swaps. Such determination or estimate may be made based on a combination of trader information, market data and/or proprietary models as outlined below, and may or may not be based on or take into account specific quotations received from swap dealers, market makers or liquidity providers.

Mid-market marks may be derived from pricing data available for transactions in the over-the-counter market or alternatively for swaps conducted on designated contract markets, swap execution facilities or other venues over which comparable swaps may be traded.

To the extent WFBNA determines that comparable swaps do not exist or are not representative of a market price, WFBNA may make such determination or estimate by interpolation between two or more reference swaps (for example, using reference swaps with longer or shorter maturities than the relevant swap).

When basing a mid-market mark for an uncleared swap on pricing data for cleared swaps, WFBNA may convert such pricing data into their uncleared equivalent to arrive at such mid-market mark, or when basing a mid-market mark for a cleared swap on pricing data for an uncleared swap, WFBNA may convert such pricing data into their cleared equivalent to arrive at such mid-market mark.

### **Use of Market Data and Pricing Models**

The mid-market mark for a swap is usually prepared by or under the direction of WFBNA personnel who are involved in pricing the swap based upon, among other factors: (i) trader information and market data then available to the relevant WFBNA personnel preparing the mid-market mark; and (ii) in certain cases, proprietary pricing or valuation models, which may include various assumptions, then in use by the relevant WFBNA personnel preparing the mid-market mark.

To the extent that WFBNA personnel are using a model to prepare the mid-market mark, features of the model may overstate or understate market factor sensitivities vis-a-vis other models, depending on the relevant circumstances, and such other models could produce results different from the model used by the WFBNA personnel.

There can be no assurance that the methodology, assumptions and inputs used in a pricing or valuation model for pre-trade mid-market marks are the same as the methodology, assumptions and inputs that WFBNA may use in any pricing or valuation model used to prepare “daily marks” for the swap pursuant to CFTC Rule § 23.431(d)(2), which daily marks are also disclosed to you over the life of the swap, or that the results produced by the two models would be the same.

### **Time Sensitive and Dealer Specific**

The mid-market mark for a swap is typically time sensitive and specific to the disclosing swap dealer or major swap participant, and will be subject to change as trader information or market data used by the disclosing swap dealer or major swap participant in preparing the mid-market mark changes. There can be no assurance that a swap’s mid-market mark disclosed by WFBNA to you would be the same as the mid-market mark that would be disclosed to you by another swap dealer or major swap participant for that swap. WFBNA makes no representation to you that any mid-market mark reflects best prices available in the market, whether to or from WFBNA or otherwise.

In addition, if you intend to enter into a swap bilaterally at a negotiated price, either WFBNA or you may quote an actionable price to the other, and WFBNA may disclose a corresponding mid-market mark, from which can be discerned a “spread” between such quoted price and the disclosed mid-market mark as contemplated by the rulemaking accompanying CFTC Rule § 23.431. Once the mid-market mark is disclosed, the parties may negotiate the price of the swap independent of any change in the mid-market mark, unless WFBNA has expressly committed to pricing the swap at a specified spread over mid. Although you may request that WFBNA re-disclose a mid-market mark at any time during such negotiations, please note that a request not timely made may cause WFBNA to withdraw its offer of an actionable quote to the extent that preparation of a new mid-market mark may cause a delay in execution. In no circumstances will WFBNA be obligated to disclose a specific mid-market mark for a negotiated price after the parties have executed the swap.

### **Placing an Order**

In lieu of establishing the price of a swap through bilateral negotiation, you may decide to place an order with WFBNA to execute a swap for your account at a specific price or level specified in your order, or after a spread or other measure above or below a target mid-market price specified in your order is attained, or at or about a time specified in your order. In those cases, it shall be deemed that WFBNA has disclosed the price of the swap to you prior to execution if WFBNA executes the swap for your account as specified in your order, and WFBNA will be deemed to have disclosed the mid-market mark with respect to that disclosed price: (i) if such disclosure meets the requirements or conditions specified by the CFTC (or a division or office thereof) for such purpose in respect of placing orders for swaps, whether in a rule, order, decree, interpretation, no-action letter or other official release, or (ii) in the absence thereof unless otherwise prohibited or restricted by law or the CFTC, by either (1) disclosing to you a mid-market mark for the swap at or about the time WFBNA agrees to accept your order, or (2) executing the swap for your account in accordance with your order to the extent your order establishes a spread or other measure above or below a target mid-market price to be attained before WFBNA executes your order.

**Questions**

If you have any questions about a mid-market mark, please contact the WFBNA swap marketer, FX Specialist or trader with whom you transact or are considering transacting.

This Information Statement & Disclosure for Pre-Trade Marks may be revised from time to time without notice.

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