Ex Ante Costs & Charges Disclosure for Quantitative Index Strategies

Price Formation

Price formation in the Quantitative Index Strategies business generally takes the following approach:

- Firstly, formation of an instrument price which takes into account factors including the following: observable market prices, executed transactions, volatility data, other market data, internal models and observable trade flows.
- Followed by the application of Costs and Charges to form the final client price.

Costs & Charges

Costs and charges which may be applicable to Quantitative Index Strategies may be categorized as follows:

a) **Costs and charges relating to investment and/or ancillary services**: Charges associated with investment services and/or ancillary services provided to the client.
b) **Transaction related costs**: This includes commission associated with the manufacturing and managing of a financial instrument.
c) **Credit Valuation Adjustment**: Charge to reflect the counterparty credit risk of a transaction. This charge is calculated taking into account the credit worthiness of the client, the credit worthiness of the bank, any credit mitigants and the expected future exposure of the transaction.
d) **Funding Charges**: Charge or benefit, determined to reflect the total expected cost (or benefit) to the bank of funding the collateralised or non-collateralised position on the relevant trade or any associated market hedge.
e) **Fees** paid to third party service providers.

Pricing Factors impacting the level of Costs and Charges

Costs and Charges applied to Quantitative Index Strategies vary depending upon a number of client specific and non-client specific factors. These reflect, among other things, the risk profile of the relevant business, client behaviour, credit and funding charges, hedging costs, capital usage and, where applicable, sales mark-up or mark-down.

Examples of factors that may impact the level of Costs and Charges applied include:

- **Credit support:** Where a client has in place an ISDA and Credit Support Annex with Barclays, this may decrease the level of credit charges applied to derivatives falling under the ISDA.
- **Clearing:** Where derivatives entered into between the client and Barclays are cleared through a central counterparty clearing house, this may decrease the level of credit charges applied to these derivative trades.
- **Maturity:** The length of maturity of the trade will most likely increase the costs and charges of the trade.
- **Liquidity:** In times of low liquidity the trader execution charge (hedging cost) will tend to increase.