



INTEREST RATES HEDGING SOLUTIONS FOR BORROWERS AND LENDERS

OUR TAILORED APPROACH TO LOWER CAPITAL COSTS

Leverage our capital markets expertise to determine the ideal mix of loan products. We can help with:

- Pricing and Comparing Multiple Offers
- Evaluating Deal Terms
- Negotiating Strategy
- New Capital Project Planning
- Refinancing Analysis

Approach the market with a long-term plan to manage interest rate risk by:

- Forward Start Hedging (up to 5 Years)
- Work Swap Orders Over Time
- Seize Periodic Timing Opportunities
- Realize Profits When Advantageous
- Formulate the Appropriate Mix of Floating or Fixed Rate Debt
- Hedging Solutions for 1-Month LIBOR and SOFR

Trade directly with us.

With an OTC account at StoneX Markets LLC, you'll be able to execute trades efficiently with our in-house traders. One account gives you access to our deep liquidity in interest rates and currencies, as well as a broad range of OTC commodities.

www.stonex.com



Trading over-the-counter and exchange-traded derivatives is not suitable for all investors and involves substantial risk. StoneX Markets LLC ("SXM"), a subsidiary of StoneX Group Inc., is a member of the National Futures Association and provisionally registered with the U.S. Commodity Futures Trading Commission ("CFTC") as a swap dealer. SXM's products are designed only for individuals or firms who qualify under CFTC rules as an 'Eligible Contract Participant' ("ECP") and who have been accepted as customers of SXM. Any recipient of this material who wishes to express an interest in trading with SXM must first prequalify as an ECP, independently determine that derivatives are suitable for them and be accepted as a customer of SXM.

This is not an offer to buy or sell any derivative. The information and data provided is not tradable and is for indication-only purposes. The material and content contained herein does not create a binding obligation on SXM or any of its affiliates to enter into a derivative. This material does not constitute investment research and does not take into account the particular investment objectives, financial situations, or needs of individual clients or recipients of this material. You are directed to seek independent investment and tax advice in connection with derivatives trading. © 2020 StoneX Group Inc. (Formerly INTL FCStone Inc.) All rights reserved.

OTC INTEREST RATES PRODUCT LINEUP

INTEREST RATE SWAPS

An interest rate swap is an agreement between two parties to exchange interest payments for a set length of time based on a specified dollar amount. In a single, upfront transaction, a borrower can customize the length of time and dollar amount to use in this exchange to craft a unique hedge to interest rate risk. In a common transaction, a borrower will receive a floating rate payment in exchange for a fixed rate payment. The floating rate received from the swap offsets the floating rate paid on the loan thereby creating a simple, effective way to control exposure to rising rates. Monthly settlement statements will show the floating rate received versus the fixed rate paid and net the difference. If the floating rate received is higher than the fixed rate paid, the borrower receives the difference and vice versa. If the maturity and dollar amount of the swap matches that of the loan, the borrower effectively converts their floating rate loan into a fixed rate, without changing the terms of the underlying loan.



With the much-anticipated transition away from LIBOR, we also have the ability to use the Secured Overnight Funding Rate (SOFR) in swap transactions

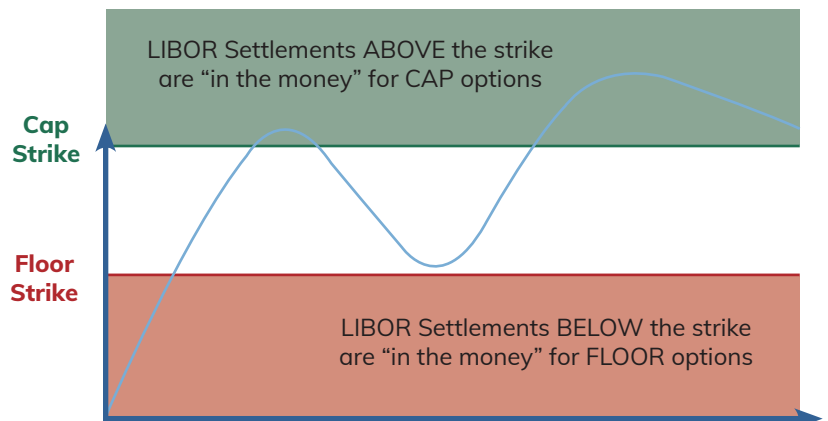
- Custom Amortizing Schedules
- Term Loan Hedging out to 15 years
- Operating Line Hedging out to 10 years
- Market Intelligence Services
- Complete Product Training

INTEREST RATE OPTIONS: CAPS & FLOORS

Long-term interest rate options (Caps & Floors) are tradeable OTC contracts. Similar to interest rate swaps, they are used to “lock in” the interest rate risk on floating rate loans. Unlike swaps however, interest rate options require an upfront premium and only exchange floating rate payments

Caps and Floors can provide flexible, cost-efficient ways to control long term borrowing costs. Some strategies include:

- **Simple Cap Purchase:** Pay a single upfront premium to buy the right to receive an interest payment every month that LIBOR settles above a specified rate. Allows the borrower to effectively “lock in” a maximum rate to pay on a floating rate loan while benefiting from no minimum rate
- **Interest Rate Collar:** Offset the upfront premium from the purchase of a Cap by selling back a Floor. Allows the borrower to lock in a maximum and minimum rate for a floating rate loan, with no upfront premium
- **Cap Spread:** Offset the upfront premium from the purchase of a Cap by selling another Cap with a higher rate. Provides the borrower a limited payment above a maximum rate in exchange for a lower upfront premium
- **Ratio Spread:** Buying and selling options with different dollar amounts to achieve the desired risk and cost profile (advanced strategy)
- **Floor Sale:** Collecting an upfront premium in exchange for locking in a minimum rate to be paid. Provides no protection against rising rates (advanced strategy)
- **Dynamic Swap Hedging:** Using Caps and Floors to potentially lower the cost and/or margin impact of an existing interest rate swap hedge (advanced strategy)



CONTACT US:

Josh Cannington • Vice President - Interest Rate Sales
StoneX Markets LLC • (205) 414-7214 • josh.cannington@stonex.com