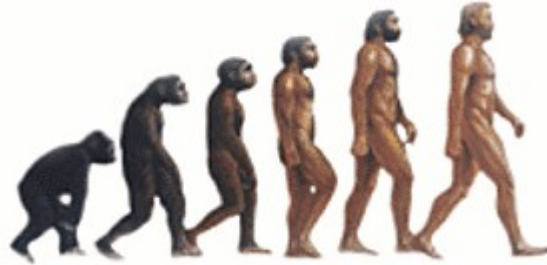


# Option Trading's Irresistible Modernization



## A Look at Energy and Precious Metals

March 2011

Parity Energy, Inc.  
33 Whitehall St Fl 17  
New York, NY 10004

# Speakers

- Charles Reyl, CEO, Parity Energy
- Rich Repetto, Director, Sandler O'Neill
- Jason Rockland, Option Trader
- Sara Lesch, Counsel, Parity Energy

Parity Energy matches institutional buyers and sellers of energy derivatives. Unique in its category, Parity Energy operates jointly an electronic marketplace - the Parity Energy Platform (PEP) - and a voice brokerage. Learn more at [www.parityenergy.com](http://www.parityenergy.com).



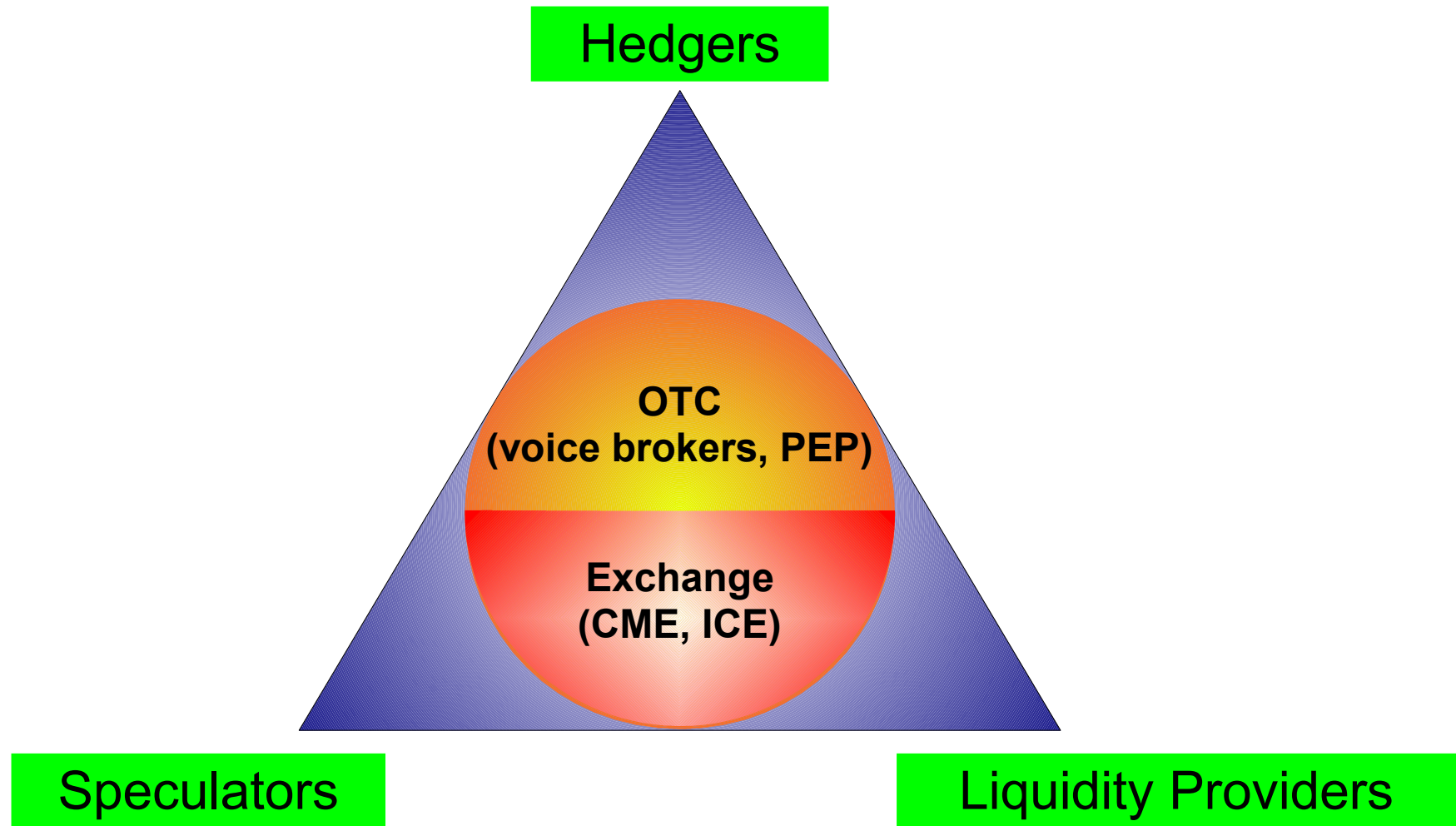
Contact Parity Energy : [sales@parityenergy.com](mailto:sales@parityenergy.com) or +1-646-867-1944

# Find Out...

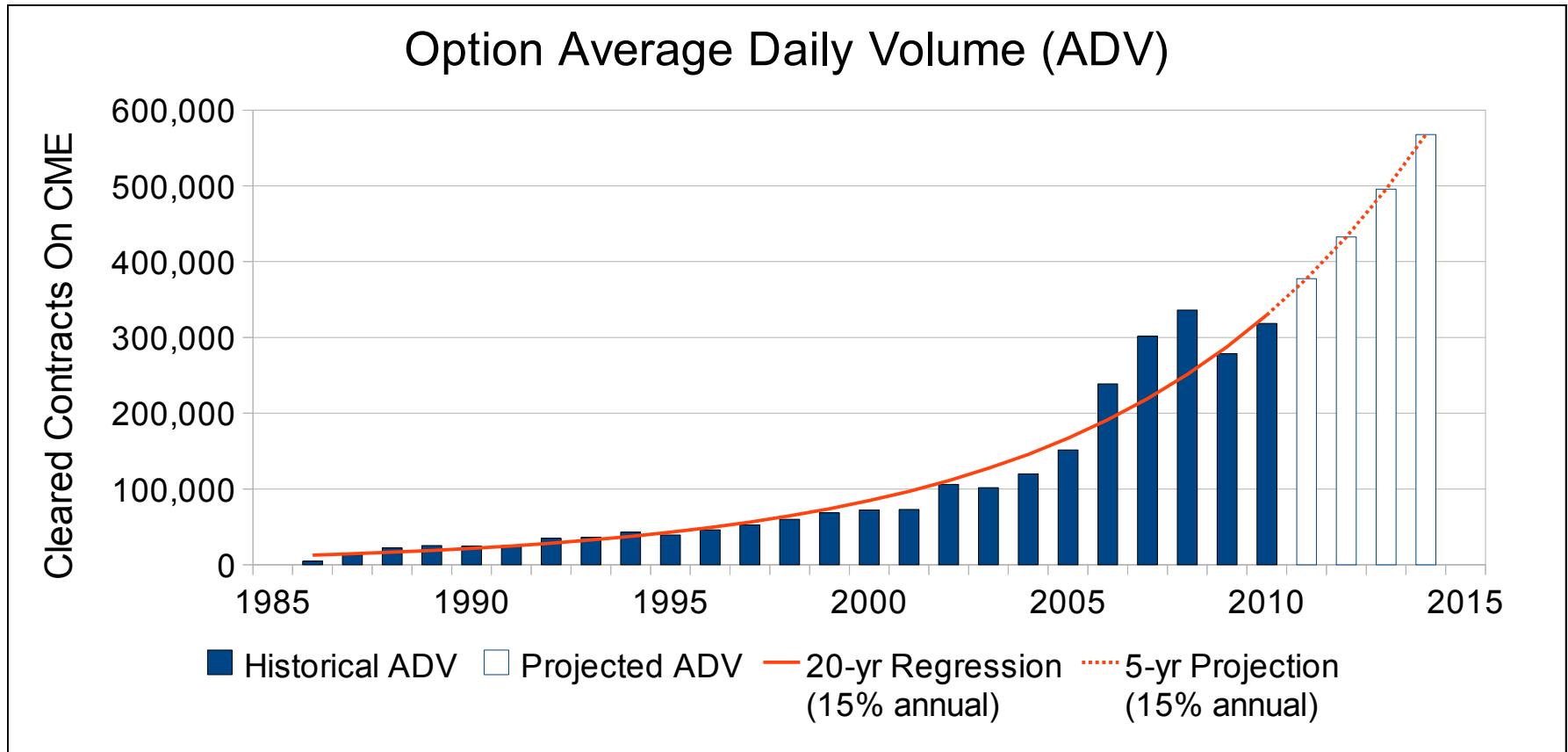
- How quickly energy markets are evolving,
- Why electronic trading for options will reach critical mass in 2012,
- Why option volumes will double within 5 years.



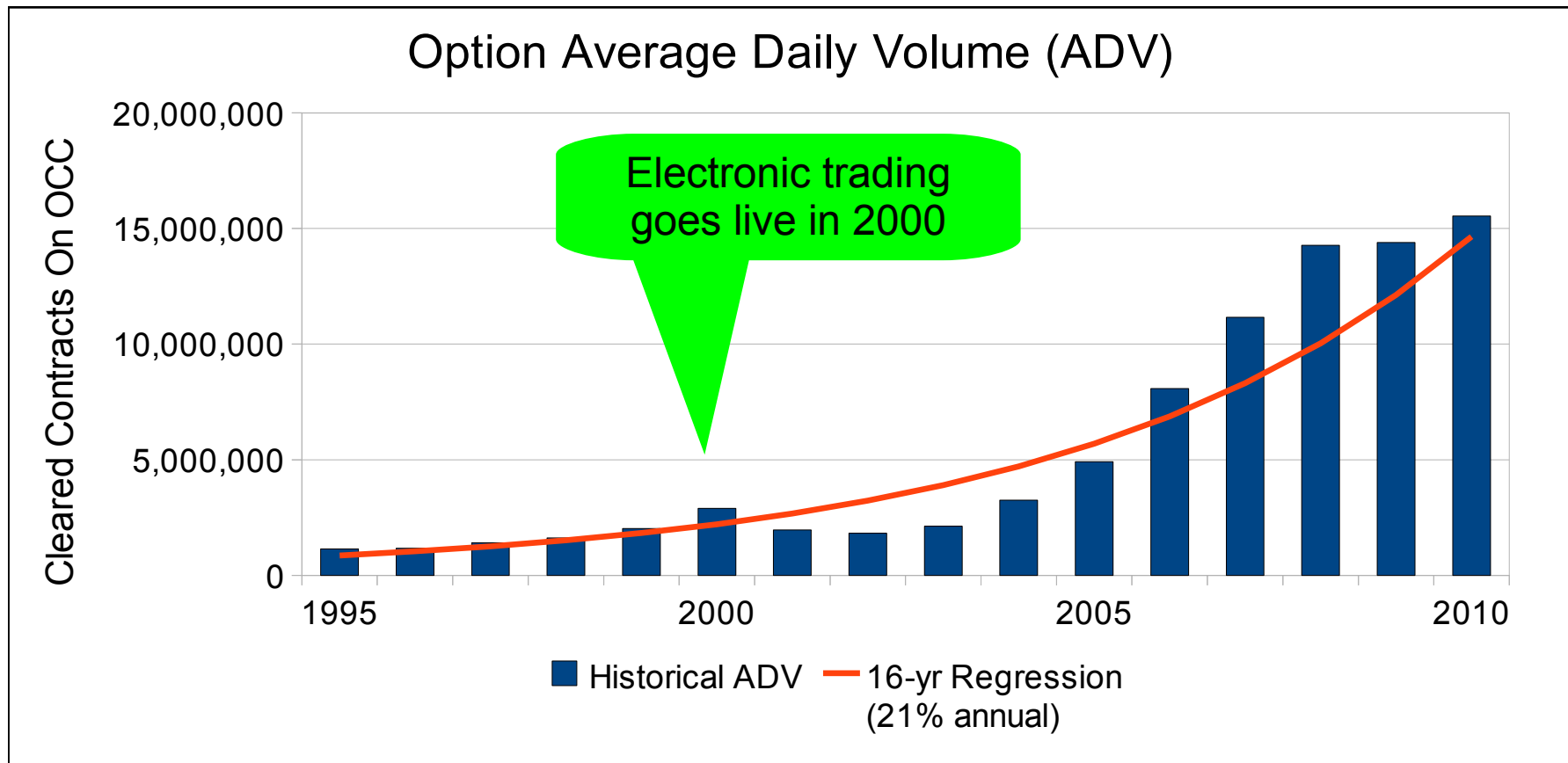
# Who Trades Options And Where?



# Energy & Precious Metals: Option Volume Doubles Every 5 Years



# Equity & Index: Option Volume Doubles Every 4 Years

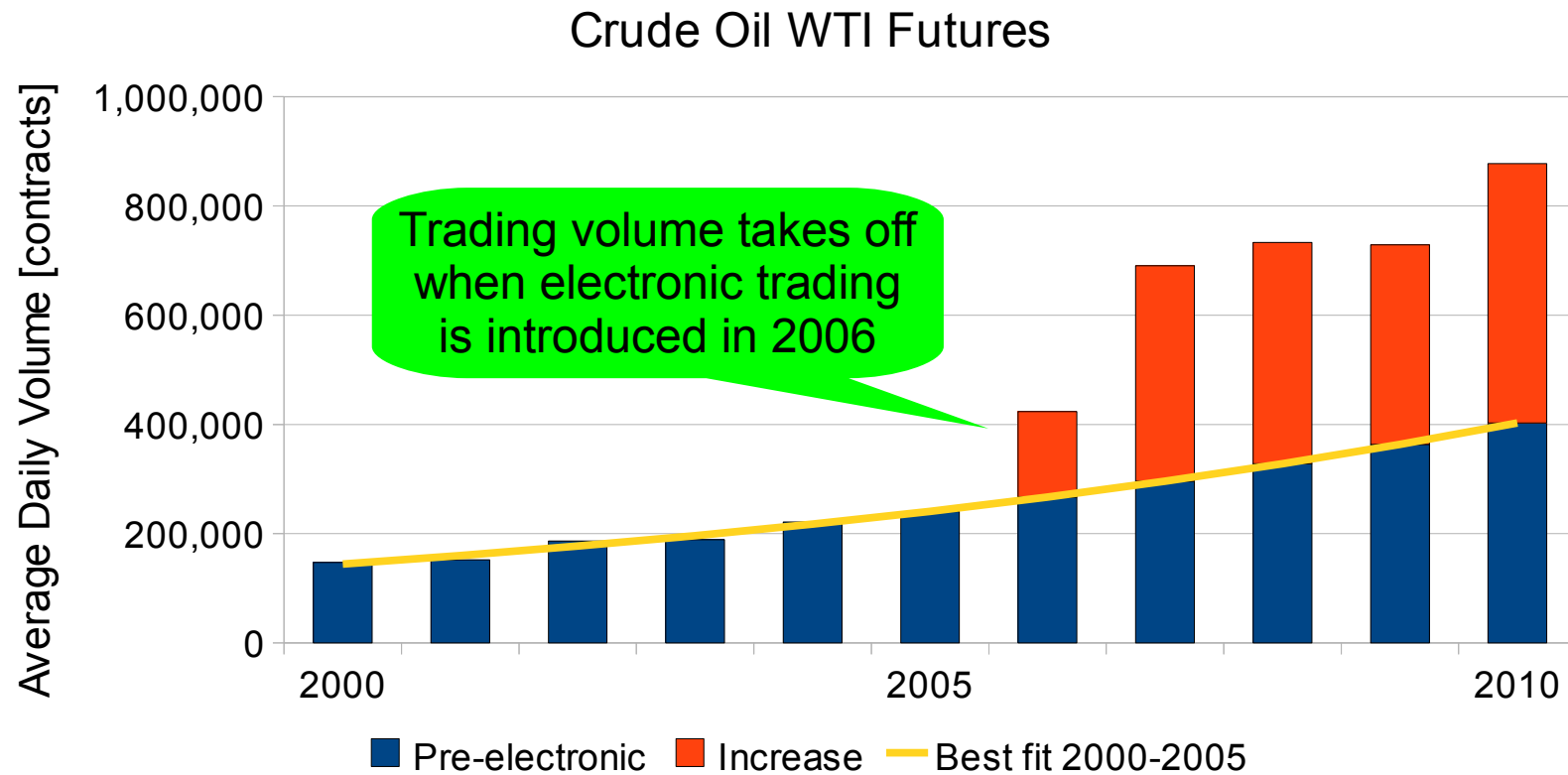


# What Affects Volume Growth?

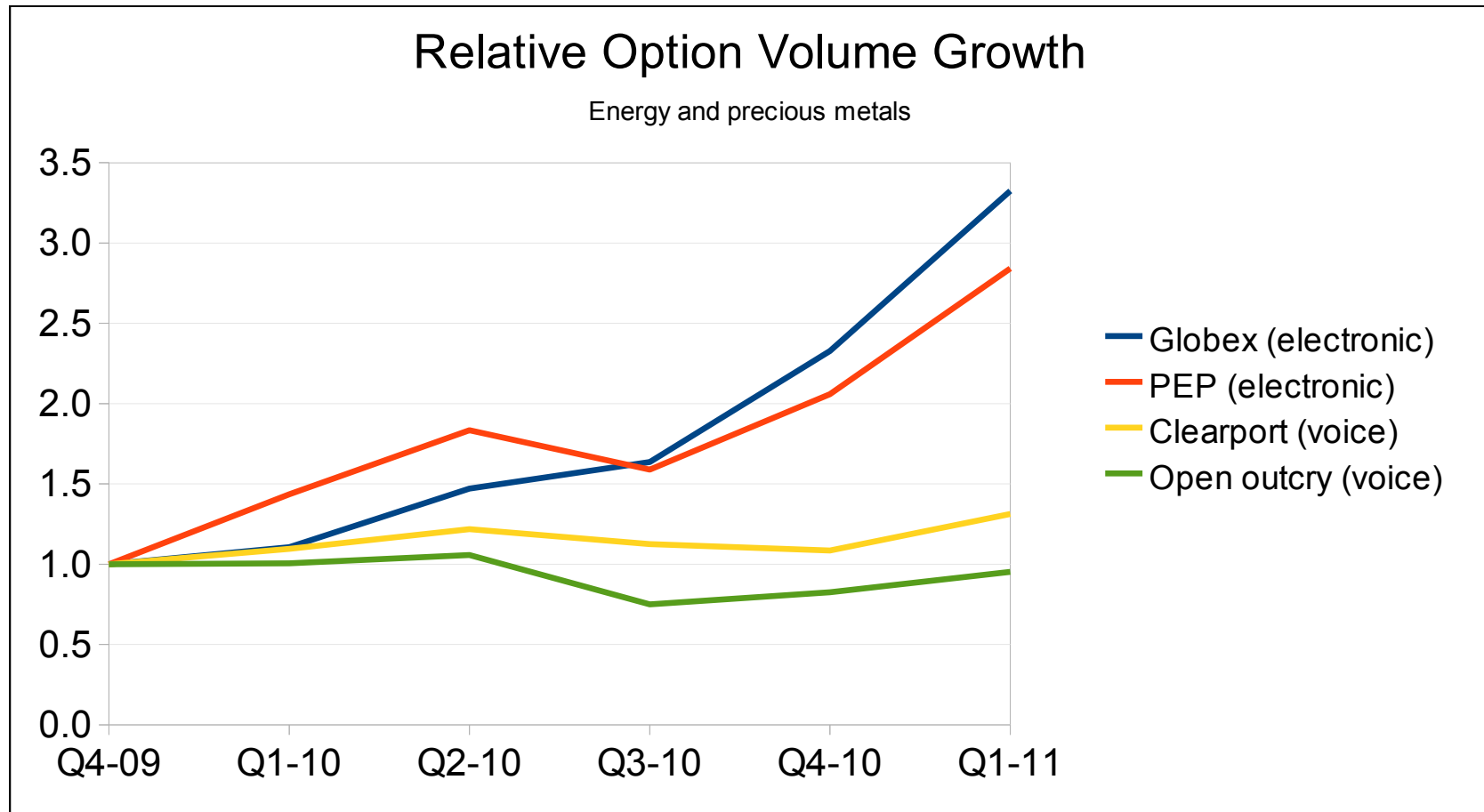
- **Macro:** Supply and demand, economic cycles, geopolitical events
- **Structural market changes:** Clearing, new participants
- **Electronic trading**
- **Financial regulatory reform:** Dodd-Frank Act



# Electronic Trading Makes Huge Impact On Volume



# Electronic Volume Grows Faster!



87% of all option volume was traded by voice in 2010.



# Options Are Next

- Swaps and futures already trade electronically
- Clearing for options is prevalent
- Market participants understand and appreciate the benefits of electronic trading

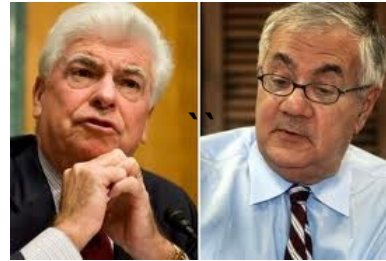


# Market Forces Are Building Up Now

- Financial regulatory reform (Dodd-Frank Act)
- Liquidity providers look to expand
- Availability of automated quoting/pricing systems
- Emergence of electronic marketplaces designed specifically for options



# Why



# Matters

For most swap trading, the Dodd-Frank Act will establish:

- Mandatory reporting
- Mandatory execution on regulated marketplaces (SEFs and exchanges)
- Mandatory clearing



# Know Your SEFS

- Swap Execution Facility Definition:

A trading system or platform in which multiple participants have the ability to execute or trade swaps by accepting bids and offers made by multiple participants in the facility or system, through any means of interstate commerce, including any trading facility, that -

(A) facilitates the execution of swaps between persons; and

(B) is not a designated contract market

- Electronic Order Book

- May have an RFQ component



# Parity Energy Platform (PEP)

+Put +Call More ▼		WTI C50 1M - Calendar Spread Option					
H11/J11 -3.20 Straddle	▼	100	1.26	1.31	1.56	1.46	100
H11/J11 -3.15 Straddle	▼	25	1.25	1.20	1.50	1.45	25
H11/J11 -3.10 Straddle	▼		1.24	--	--	1.44	
J11/K11 -2.80 Straddle	▼	+25	1.50	1.45	1.63	1.70	100+
J11/K11 -2.75 Straddle	▼		1.49	--	--	1.69	
J11/K11 -2.70 Straddle	▼		-	--	--	-	
K11/M11 -1.70 Straddle	▼	100	1.37	1.16	1.41	1.57	100
K11/M11 -1.65 Straddle	▼	25	1.37	1.30	1.65	1.57	25
K11/M11 -1.60 Straddle	▼		-	--	--	-	
M11/N11 -1.15 Straddle	▼	25	1.07	1.05	1.30	1.27	25
H11/J11 -1.75 Call Live	✓		0.17	--	--	0.27	
J11/K11 -4.00 Put Live	✓	100	0.53	0.44	0.58	0.63	100
J11/K11 -2.00 Call Live	✓	100	0.36	0.30	0.44	0.46	100
2H'11 -0.50 Put Live	✓	25/m	0.41	0.40	0.55	0.51	25/m
2H'11 0.00 Call Live	✓	25/m	0.22	0.20	0.35	0.32	25/m
+Put +Call More ▼		WTI LO - American Option					
H11 87.00 Straddle	▼	50	2.65	2.68	2.78	2.85	50
H11 87.50 Straddle	▼	50	2.67	2.69	2.79	2.87	50
H11 88.00 Straddle	▼	50	2.76	2.77	2.87	2.96	50

Designed for OTC option markets

Real-time broker support  
(Floor & OTC)

Clearing through ICE Clear or  
CME ClearPort

Integration via API, Excel,  
WhenTech or OptionsCity

150 institutional customers

Zero IT overhead  
(browser-based)



# Countdown

- Electronic trading for commodity options will reach critical mass by 2012.
- Option volume will double again by 2015.
- It will impact your business.
- Email us at [sales@parityenergy.com](mailto:sales@parityenergy.com) or call +1-646-867-1944 for more information.

