

Markit Pricing Data

Fair Value

Markit Pricing Data provides an independent, fully outsourced fair value service that calculates the best estimate of stock and bond prices outside of active trading hours.

When market quotations are not readily available, such as when a foreign security's primary market is closed, many funds will use fair value. This ensures that long-term investors in the fund benefit from the most accurate share price possible. Markit Pricing Data helps clients meet their regulatory and compliance requirements by providing daily fair value adjustment factors and prices on over 100,000 equity and fixed income securities. Our fair value calculation snap times include the close of major markets worldwide, as well as custom snap times tailored to client requirements.

Markit's cutting-edge methodology uses the correlation between individual security prices and over 30 market, regional, sector and entity-specific factors to calculate the best estimate of a security's price outside of active trading hours. Daily model calibration optimizes the accuracy of the fair value estimation. Markit has back tested its approach to demonstrate effectiveness. Results of the back testing and detailed methodology documents are available for potential clients to review.

Transparency

Markit's methodology is clearly documented and available for clients to review.

Independence

Markit is the leading provider of independent cash security and derivative valuations to thousands of clients globally.

Accuracy

Markit Pricing Data ensures that long-term investors benefit from a share price that is as accurate as possible as of the time the fund calculates its net asset value.

Scalability

Markit Pricing Data returns prices on portfolio holdings within 30 minutes of market close.

Support

Markit's experienced, global analyst team is available to provide support and resolve price challenges 24 hours per day, 5 days per week.

Distribution

Markit Pricing Data via FTP, XML or through an API.

40,000

global stocks

80,000

global bonds

30

market data factors

24/5

client support

Clients

Investment managers

Fund administrators

ETF sponsors

Investment banks

More information

For more information on the products and services from Markit, please contact us at sales@markit.com or call one of our regional offices:

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Case study – equity fair value

Standard Chartered Bank Settlement

On August 14th 2012, British based bank Standard Chartered reached a \$340 million settlement with New York regulators to resolve an investigation that alleged it laundered money to Iranian entities. The bank, whose stock trades primarily in London but has operations in the US, was accused of laundering over \$250 billion from 2001-2007 despite strong US sanctions against Iran. The settlement was widely viewed as a light punishment for the bank and the stock rallied on the news as fears of a harsher punishment were erased. The news, however, broke at approximately 1:30PM EST on August 14th, roughly two hours after the close of London markets, prompting the need to fair value this security.

Markit Fair Value Results

When fair valuing equity securities, Markit considers global factors, regional and sector factors, and entity-specific factors. For Standard Chartered specifically, Markit Pricing Data identified the company's OTC pink sheet stock, SCBFF, as the key factor for this computation. The following table shows the fair value results together with the London Close, the fair value price at close of US markets, and the London Open the following day.

| 8/14/2012 | Closing Price (11:30EST, day T) | FV Price (16:00EST, day T) | Opening Price (3:00EST day T+1) | FV Movement Captured |
|-----------|------------------------------------|-------------------------------|------------------------------------|----------------------|
| STAN.L | 1370p | 1417.3p | 1440p | 68% |

Markit Fair Value was directionally correct and captured 68% of the overnight price movement. To illustrate how useful the pink sheet stock was, a chart of its price from August 13th to August 15th is below, with an indication of the breaking news and corresponding spikes in price and trading volume.

This analysis also emphasizes the risk of using only equity index benchmarks as fair value triggers. The S&P500 fell a mere 0.03% during this interval, while Standard Chartered's stock rose 5%. If a fund triggered fair value based solely on movement in the S&P500, it would have missed the spike in Standard Chartered's stock.



- A** News of settlement with US regulators breaks
- B** Trading volume spikes