



VYAPAR

CAPITAL MARKET PARTNERS LLC.

Your Partners in Trading

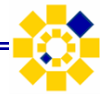
History of Weather Derivatives

Lynda Clemmons

September 16, 2010

WRMA European Meeting

Krakow, Poland



A Sense of Perspective
- Time



The Start – A Series of Firsts

- ❑ 1997 – A fine vintage
 - ❑ El Nino
 - ❑ Weather traders make noise
 - ❑ Deregulation of electricity in US
 - ❑ Insurance and Derivatives go dancing
 - ❑ Radar love – internet explosion



The Follow

- ❑ 1998 – First European deal
- ❑ 1999 – First Asian deal
- ❑ 1999 – CME launches weather contracts
- ❑ 2000 – Australia



The Struggles

- ❑ You speak my language?
 - ❑ Contract forms
 - ❑ Data access, cleaning and reliability
 - ❑ Education of customers, clearing firms, internal hurdles
 - ❑ Pricing models



The Losses

- Active Weekly markets
- Life
- Weather Securitization
- Classification as insurance only
- Patenting business process



The Gains

- ❑ CME
- ❑ WRMA
- ❑ Insurance AND Derivatives
- ❑ New Markets
 - ❑ Geographical
 - ❑ Index
- ❑ Still strong energy relationship

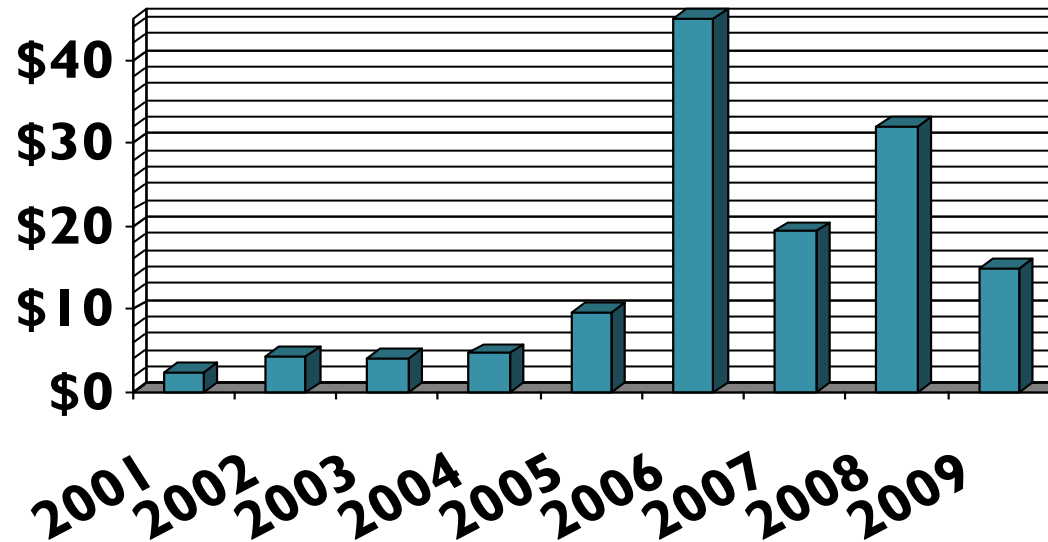


A Sense of Perspective
- *Size*



WRMA Survey Results

Notional Value of Weather Trades (Billions of US\$)



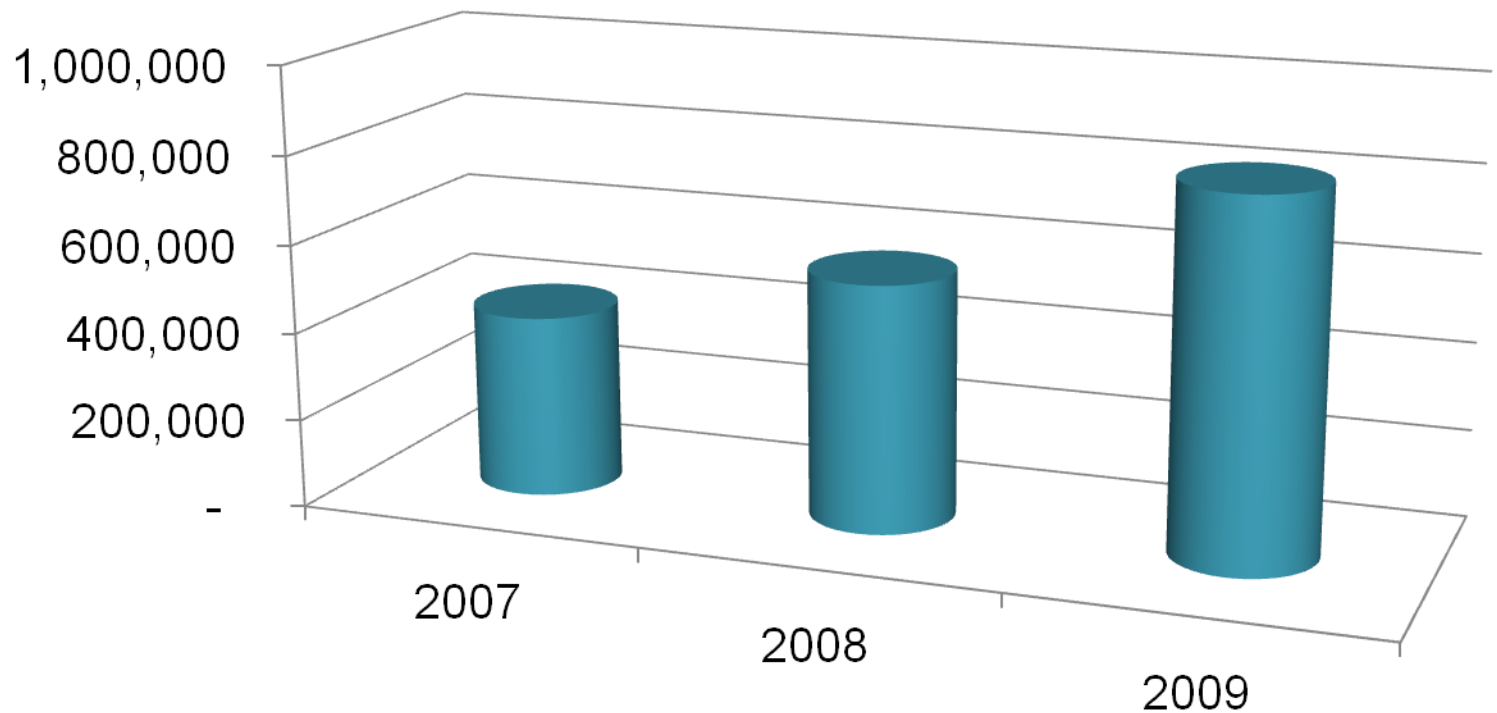
Survey Respondents in Numbers

- ❑ 2009 – 11 companies responded
- ❑ 2008 – 12
- ❑ 2007 – 13
- ❑ 2006 – 17
- ❑ 2005 and earlier – 19-20 respondents



Modern trends

Chapter 7 Liquidations



Down in the dumps?

- ❑ Counterparty credit
- ❑ Contraction of capital (primarily for trading)
- ❑ Low volatility and low relative energy prices
- ❑ Lack of carbon regulation in the US and post 2012 uncertainty



*A Sense of Perspective
- Direction*



Market Anti-Depressants?

- ❑ CME is reporting higher volumes year to date than all of last year
- ❑ Better regulatory certainty of derivative treatment
- ❑ Customers still want coverage
- ❑ Several new US entrants building weather teams



How big did you say it was?

- ❑ 80% of the business activity in the world is weather dependent
- ❑ Revenues of companies impacted by weather represent \$1 Tn in US, \$1.25 Tn in Europe and \$700Bn USD in Japan
- ❑ China could dwarf everything
- ❑ If PIMCO decided to allocate 1% of assets to weather, it would be a \$2+Bn annual injection



Potential market shifts:

- ❑ Trading includes more weather based commodity transactions
- ❑ Renewable energy projects still growing
- ❑ Growth in online trading (aka TheBeast)
- ❑ Increase of capital availability back to alternative markets



Who is Vyapar?

- Vyapar Capital Market Partners LLC is a brokerage firm specializing in over-the-counter (OTC) derivatives products requiring high levels of analytic knowledge, technical support, and overall market expertise.

Founded in 2005 by a team of highly-experienced financial professionals who saw a need for a firm with the following characteristics:

- Able to move quickly into new markets;
- Able to act flexibly when existing markets undergo periods of rapid evolution
- Not limited or constrained by the hierarchical structure of traditional companies, and
- Offering electronic and hybrid brokerage services

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