

1 - Overview of Key Messages

1. Significance and potential impacts

The NSFR is one of the most significant aspects of the CRD/CRR review, with far-reaching potential impacts on the economy

The industry supports the policy goals of the NSFR, however concerns remain about certain specific aspects of NSFR standard.

The impact on end-users can be disproportionate

Important **categories of transactions which are very important for end-users could be materially penalised**: hedging through derivatives; clearing transactions through central counterparties; transactions that require that customers' assets are segregated or held under custody arrangements; facilitation of client short transactions. These transactions do not require significant funding resources, are short-term in nature and banks should not be forced to fund them long-term. Various categories of end users (corporates, asset managers, pension funds, governments) have raised these concerns.

Capital markets activities risk being unduly penalised

Our studies show that NSFR deficits arise mainly from capital markets activities rather than commercial banking business. A pure application of the BCBS NSFR standard would result in a regulatory long term funding requirement in excess of €4.5 trn **for capital markets activities** at an annual cost to the industry of around €80bn¹.

Consistency with CMU and growth objectives is crucial

The potential impacts could undermine the Capital Markets Union and the promotion of growth. They include:

- severe restrictions on banks' ability to provide market services which facilitate client financing, investing and hedging;
- higher costs on investors and end-users (businesses, governments, pension funds, asset managers, insurers);
- reduced liquidity and depth in capital markets, leading to higher volatility and increased systemic risk;
- ripple effects across all segments of the global economy, including on investors, pensioners, employees, consumers.

2. Industry Recommendations

The above listed crucial pitfalls should be avoided by adopting the following recommendations:

Fully exempting from the NSFR 'Interdependent transactions', i.e. transactions in which banks to act as a pass-through agent for their clients without creating funding risks.

Ensuring a more proportionate treatment of derivatives, namely: recognising the funding value of cash and of high quality securities collateral; ensuring a more considered additional funding requirement on derivatives liabilities - alternative to the very disproportionate 20% RSF add-on.

Eliminating the ASF/RSF asymmetry for repos and reverse repos to avoid increased costs and risk for market participants, including those corporates and governments borrowing to finance their economic needs.

Avoiding undue penalisation of market making activities as they are vital for supporting end users who rely on an active and sizable market for financing. The recommendations above are important in this respect; additionally, the industry recommends the application of a 0% RSF for high quality sovereign securities and a review of the RSF factors applied to other securities.

Ensuring global consistency by promoting a recalibration at Basel level

3. Assessment of EC proposals

The EC legislative proposals acknowledge the validity of the concerns explained above and includes some positive steps. At the same time, important questions remain unaddressed and they require further consideration.

Insufficient consideration of the issue of 'Interdependent transactions'

- the concept of 'interdependent transaction', as defined in Art. 428f(1), remains very narrow. Rigorous operational requirements for making sure pass-through transactions are exempted or treated less punitively.
- Art. 428f(2) explicitly defines a number of interdependent transactions, a list the EC would be empowered to amend via a delegated act. While potentially positive, this offers limited reassurances, particularly if Art. 428f(1) remains very narrow.

Some progress on the treatment of derivatives, but concerns remain

- Positive that the funding value of collateral (cash margins, HQLA securities) is recognized;
- As to the additional funding requirement on derivatives liabilities, while positive that alternatives to the very disproportionate 20% RSF add-on are being considered, these alternatives need to be deferred until appropriately assessed.

ASF/RSF asymmetry for repos and reverse repos

- The EC proposes to reduce the ASF/RSF asymmetry compared to Basel. While the intention is positive, anything short of a full removal of the asymmetry will not be sufficient to avoid negative impacts on repo markets.

Market making

- We welcome the fact that high quality government bonds receive a 0% RSF; in the same spirit, less penalizing RSF factors for other securities (corporate bonds, securitisations) would be in line with the EU growth objectives.

Other issues

- Before Delegated Acts will be implemented EBA will have to assess very significant aspects (e.g. treatment of repos and derivatives). On these aspects, interim solutions should not be adopted pending such assessment, to avoid uncertainty and pricing difficulties.
- Areas of super-equivalence to BCBS standard should be avoided (for instance: i) the automatic application of more stringent third country treatments; ii) the restriction and reporting of currency mismatches is not meaningful owing to the treatment of FX derivatives).

What is the NSFR?

The NSFR requires banks to have available stable funding that is at least 100% of required stable funding over a one-year time period:

$$\text{NSFR} = \frac{\text{Available Stable Funding}}{\text{Required Stable Funding}} \geq 100\%$$

What is considered stable funding?

Available stable funding is the % of equity and liability financing expected to provide reliable sources of funds over a one year time horizon. E.g. 100% of regulatory capital or 90%/95% of deposits with a residual maturity > 1 year are considered stable funding as they will not go anywhere even in case of stress. On the contrary short term liabilities towards financial institutions are not considered stable (i.e. their ASF is 0%).

How much stable funding is required?

The amount of required stable funding (RSF) depends on the composition and residual maturity of assets. Very liquid assets will require no (e.g. assets in the form of banknotes) or very low (e.g. very liquid instruments, e.g. some sovereign bonds) stable funding. On the contrary assets encumbered for more than 1 year, require to be fully backed by stable funding.

2 – Detailed Comments

Introduction

The NSFR is one of the most significant aspects of the CRD/CRR review

AFME and ISDA (“the industry”) welcomes the concept of a longer-term measure of structural liquidity. We strongly support the underlying policy goals of the NSFR, including its core objective of requiring banks to develop and maintain sustainable funding structures. **We continue however to have significant reservations on the current BCBS NSFR standard with respect to its impact on capital markets,** including the severe restrictions it creates on banks’ ability to provide market services which facilitate client financing, investing and hedging.

Important concerns remain about potential impacts on end-users, on the CMU project and on systemic risk.

A number of categories of transactions, which are very important for end-users, appear to be materially penalised by the NSFR as banks could be forced to long-term fund short term business¹. These include: derivatives; clearing of client trades; segregation and custody of customer assets; facilitation of client short transactions. This penalisation is not justified by a prudential goal and would not make the system safer, as these transactions do not require significant funding resources, are already well-funded and short-term in nature. It would result in a reduction in market making activities and in other hedging and client facilitation services and/or end-users may have to (if able) to absorb some incremental cost increases. These reservations lead to a conclusion that, **in its current form, the BCBS NSFR standard might impair the viability of the Capital Markets Union and, by reducing market liquidity, increase volatility and systemic risk.**

Industry analyses show disproportionate impact on capital market activities

We have undertaken our own **industry study on the impact of the NSFR on capital markets activities**. The purpose of our study is to complement the EBA report on the NSFR published in December 2015 focuses, which, with its focus on average, sector-wide numbers, offers an incomplete perspective². Our study shows that:

- NSFR deficits arise mainly in connection with capital markets activities rather than with commercial banking business;
- the application of the BCBS standard would result in a regulatory long term funding requirement in excess of €4.5 trn for capital markets activities at a cost to the industry of more than €80bn (to get a better sense of the magnitude, that amount can be compared with GSIBs global revenues, which were approximately €380bn for 2015);
- the alternative treatments proposed by the industry offer a more conceptually sound and realistic way forward. They would still require very significant long term stable funding (around €2trn) at a substantial cost (over €30bn), but in contrast to the application of the BCBS standard as it is, are less likely to call into question the viability and provision of capital market and derivative products, and financial stability.

¹ The cost of short term funding varies between banks, however many major banks fund short-term at around 25bp; at the same time, the typical cost of long-term funding is around 200bp. As a result, this very significant increased costs of long-term funding will be passed on to clients and/or capacity will be withdrawn in markets where the economics no longer work.

² In particular, the EBA seem to assume that NSFR surpluses in a number of banks can compensate for NSFR deficits in other banks. In reality, this is very unlikely to happen. Banks which might have an NSFR surplus, for instance because they are mainly focused on commercial and retail activities, will be unable to expand into capital markets businesses: acting as a market maker in capital markets requires major fixed cost infrastructure investment in technology, trading expertise, risk management expertise, and product development and a bank primarily operating in retail markets would not be able to become a market maker without a costly strategic expansion into such activities. Therefore, should banks affected by a severe NSFR deficit for their capital markets activities reduce their capacity or exit the market, we cannot reasonably expect that to be compensated by new entrants.

Industry views and recommendations

Industry's priority concerns in the area of NSFR focus on the following main areas:

- I. **Fully exempting from the NSFR the 'Interdependent transactions'** (also known as 'linked transactions');
- II. **Ensuring a more proportionate treatment of derivatives;**
- III. **Eliminating the ASF/RSF asymmetry for repos and reverse repos;**
- IV. **Other issues;**

I. **Fully exempting from the NSFR the 'Interdependent transactions' or avoiding requirement through symmetric ASF/RSF**

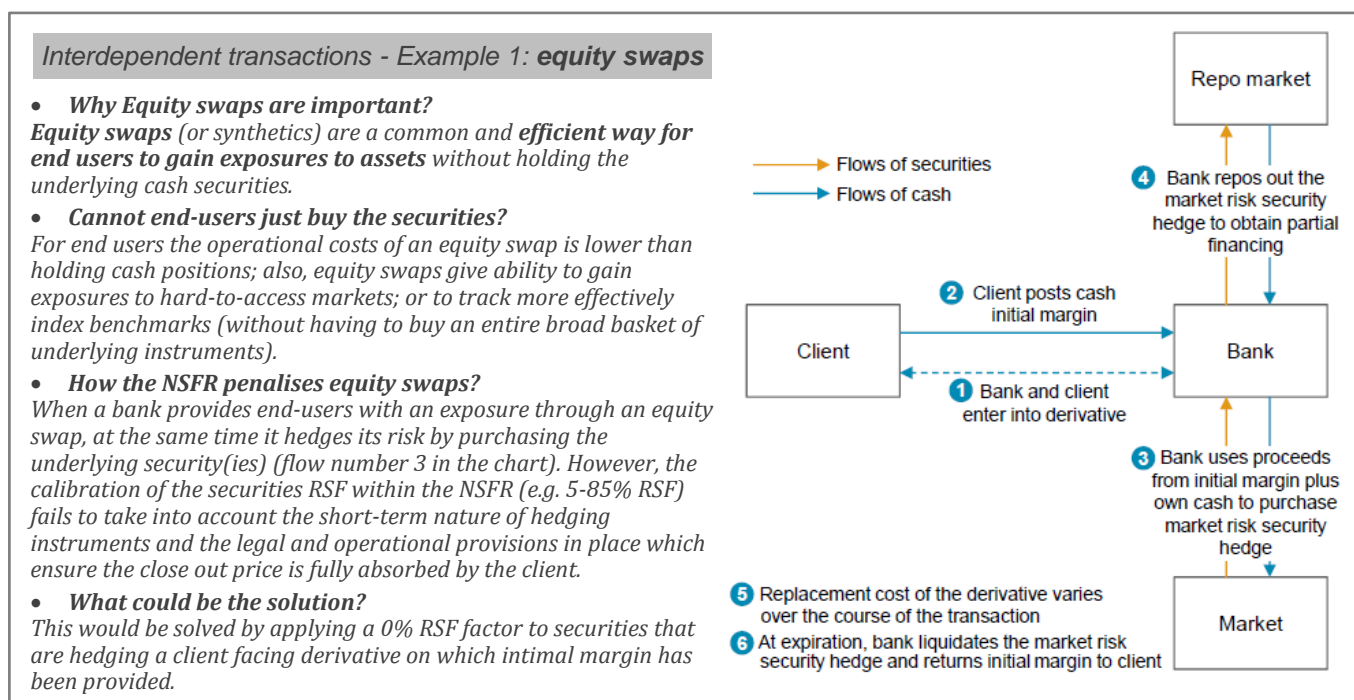
What are the interdependent transactions?

The interdependent (or linked) transactions are transactions composed of several legs/parts which, even if contractually separated, cannot be considered in isolation: they are economically linked and one leg would not exist without the other(s). In general, they are aimed at facilitating end-users' activities. They allow banks to act as a pass-through agent for their clients without creating liquidity risks. In addition to derivatives hedging, these include short facilitations, client clearing transactions and the holding of segregated client assets.

The NSFR, by not considering the economic unity of these interdependent transactions, might lead to a very penalising treatment for these transactions and to very negative impacts on end users and key markets. This would force banks to use much more expensive long-term funding for transactions which are short-term in nature and facilitate client activities. The need for banks to fund long-term their (short-term) inventories will make market-making and underwriting services more expensive.

Examples of inter-dependent transactions

Below we provide examples of interdependent transactions, explaining their significance and importance and explaining why the NSFR would unduly penalise them:



Linked transactions - Example 2: **short facilitation**

- **Why short facilitation is important?**

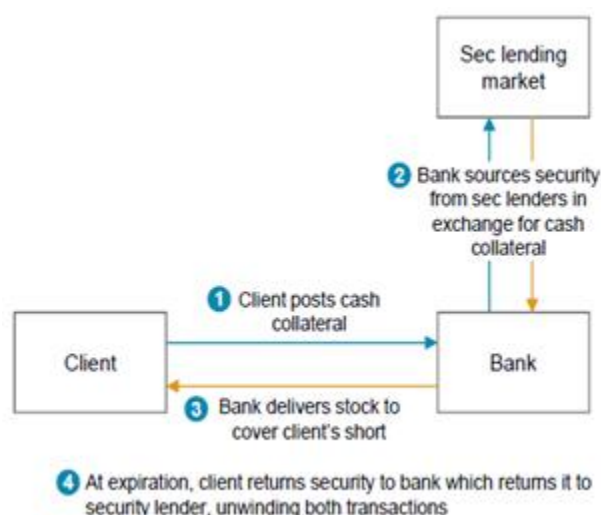
Short facilitation provides liquidity to investors executing long-short strategies. More broadly, it supports market liquidity, more efficient prices and lower transaction costs. Also, returns are improved for investors acting as securities lenders (typically: pension funds, insurers).

- **How the NSFR penalises short facilitation?**

Banks facilitating client shorts are burdened with a significant penalty: although the bank receives short sale proceeds from a client (flow 1 in the chart), which provide an effective funding source for short-dated client-related assets, this liability receives 0% ASF recognition. However, when the bank pledges cash collateral to borrow securities (flow 2), a 15% RSF requirement is applied to the cash collateral as a "loan" to a financial institution.

- **What could be the solution?**

The industry suggests the application of a 0% RSF factor to cash collateral provided to securities lenders.



Linked transactions – Example 3: **Provision of customer hedging facilities**

- **Why is it important for customers to be able to hedge risk using derivatives?**

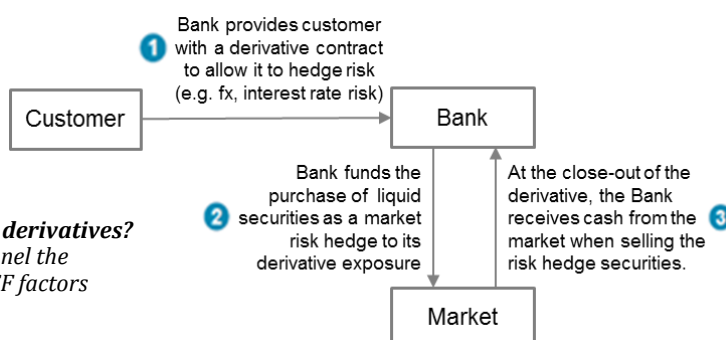
Corporates (including SMEs), pension funds and asset managers will look to hedge their risk to avoid unexpectedly fluctuations in income and expenditure and to aid business planning. Banks will in turn hedge their risk to the providing the customer with a derivative contract through purchasing underlying liquid securities.

- **How the NSFR penalises securities hedging customer derivatives?**

The bank is acting therefore as a "pass-through unit" to channel the security exposure into the derivative but the NSFR assigns RSF factors from 5% to 85% to the holdings of the underlying securities.

- **What could be the solution?**

Solutions could include the application of a 0% RSF factor to securities that are hedging a client derivative on which initial margin has been placed and through reduced RSF factors for unfunded short term client hedges (<1 year).



What is the EU proposing on interdependent transactions?

While there is some acknowledgement that the issue of interdependent transactions is an important one, the EC proposal does not seem able to address the concerns explained above. In particular, the definition of interdependent transactions as provided by Art. 428f(1) is extremely narrow. Art. 428f(2) provides a list of transactions which are explicitly considered interdependent; while we welcome the inclusion of client clearing, the list remains very narrow. The EC is empowered to revise the list through a delegated act, but this seems insufficient to allow a more proportionate treatment for many important interdependent transactions.

An alternative path to the exemption, is a revision of some ASF/RSF factors to avoid a stable funding requirement, but the EC proposal does not include anything in this respect.

II. Ensuring a more proportionate treatment of derivatives

Importance of derivatives for end-users

Banks perform important risk-management services; diversifying and hedging risks in the real economy. They offer their clients a broad range of tools to diversify and manage risks, and are essential to global economic activity and growth. This enables companies, investment managers, governments, insurers, energy and commodities firms to better control their financing costs and avoid the risk of volatile interest rates. They can also hedge their exposures to exchange rate risk, and better predict and control their energy

costs. Banks themselves use derivatives to manage their interest rate risk and offer better services and prices to their customers.

The annual cost for end-users would be around 15 BN €

The BCBS NSFR introduces costs for derivatives transactions that are disconnected from actual funding risk considerations. Existing studies demonstrate that the BCBS NSFR framework, if imposed in its current design, would result in significant additional costs to derivative end-users. An industry quantitative impact study has estimated the additional total long-term funding requirement for banks at around €767bn (almost half of the increase is due to the fact that the NSFR ignores the funding benefit from large portions of cash collateral and from high quality securities collateral; much of the remaining part is due to the 20% RSF add-on for derivatives liabilities.) At a typical cost of long-term funding of around 200bp (while many major banks fund short-term at around 25bps), the total additional annual cost that would need to be passed along to end users is around €15bn.

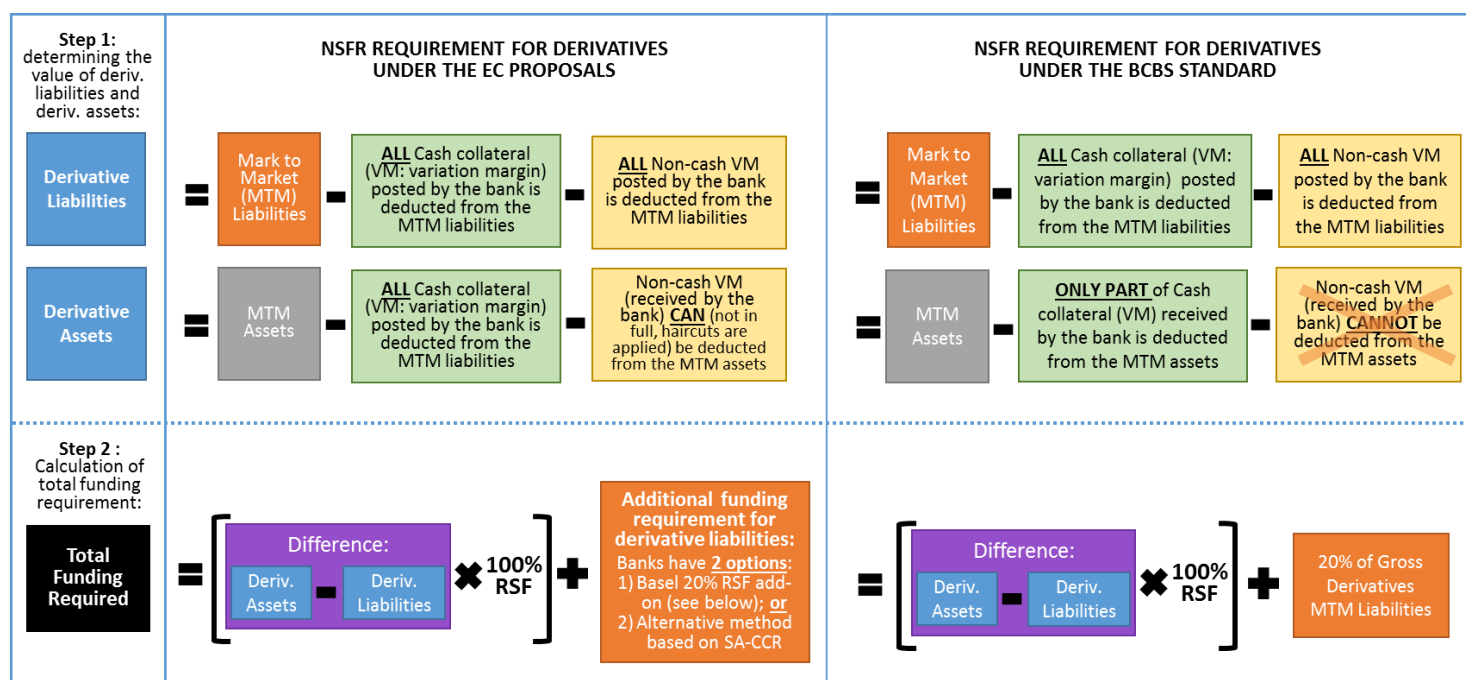
Two key issues result in the undue penalisation of derivatives:

The penalising treatment of derivatives funding requirements is the result of two main issues: 1) the first issue is the asymmetric treatment of collateral (margin) received and posted by the bank: while the collateral *posted* by the bank is fully deducted from its derivative liabilities, large portions of the collateral *received* by banks in their derivatives transactions cannot be used to reduce the amount of derivatives assets (i.e. receive no funding recognition); 2) the second issue is that an additional, risk insensitive, funding requirement is imposed on derivatives liabilities (so called 20% RSF add-on). More detailed explanations are provided below.

What is the EU proposing on derivatives?

In the impact assessment accompanying the legislative proposals, the EC has expressed concerns about the “disproportionate impact the NSFR might have on derivatives activities and consequently on European financial markets and on the European economy”. In line with that assessment, the EC has proposed some adjustments to the NSFR standard in relation to the two issues mentioned in the previous paragraph:

- the asymmetry in the treatment of the collateral (margin) posted and received by banks is removed and all cash collateral and high quality securities collateral (subject to haircuts) received can be deducted from the derivatives assets.
- As to the 20% RSF add-on the EC gives banks the option of using an alternative approach, based on the SA-CCR measure, to the very punitive 20% RSF add-on; also the EC proposed to review these provisions through a Delegated Act. While it is potentially positive that alternatives are considered, acknowledging the unintended effects of the 20% RSF add-on, the industry believes that additional funding



requirements for derivatives liabilities should not be imposed until alternative options have been adequately assessed.

Below, an explanation of the problematic aspects of the BCBS standard which the EC is trying to fix:

ISSUE 1
Non-recognition of funding value of large portions of collateral received by banks

The first issue in the BCBS NSFR standard is the asymmetrical treatment of collateral (variation margin) depending on whether that collateral is posted or received by the bank. This asymmetrical treatment is present both for cash collateral and for non-cash (e.g. high quality liquid securities).

Asymmetry in the treatment of cash collateral (green boxes in the chart above): For derivatives liabilities, **all** cash collateral (variation margin, VM) posted by the bank needs to be deducted from the MTM liabilities. However, for derivatives assets **only part**³ of the cash collateral received by the bank can be used to reduce the amount of derivatives MTM assets (for instance, received cash collateral is completely disallowed in case of an even minimal amount of under-collateralisation, i.e. where the mark-to-market is not fully extinguished; this could lead to extreme results: for example, a one euro collateral shortfall could invalidate €3 billion in cash collateral that a bank would use to fund the asset).

The industry QIS estimates that linkage to the leverage ratio netting criteria will result in a funding requirement of €130 billion to be allocated to derivatives portfolios across the industry.

Asymmetry in the treatment of non-cash collateral (yellow boxes in the chart above): For derivatives liabilities, **all** non-cash (e.g. high quality liquid assets, HQLA) posted by the bank needs to be deducted from the MTM liabilities. However, for derivatives assets the BCBS NSFR prohibits a bank from using the non-cash collateral received from a counterparty to reduce the amount of derivatives MTM assets, even when the securities received have cash-like liquidity characteristics (e.g. German Bunds and other HQLA). According to the industry study, an estimated funding requirement of €125 billion will be levied on the entire industry as a result of the lack of recognition of HQLAs.

This will likely have a disproportionate negative impact on certain types of end-users – such as pension scheme arrangements (PSAs) – because many typically rely on the ability to post securities as collateral. Those end users may need to reduce their derivatives hedging positions or rely on the repo market to transform their assets into cash collateral, and take on substantial new liquidity risk positions.

The two asymmetries described above lead to a larger amount of derivative assets (which, in a NSFR context, require stable funding) and therefore to larger difference between derivatives assets and derivatives liabilities (purple box in the chart above).

The industry would suggest the recognition of all cash variation margin received, recognition of the full value of qualifying securities received as collateral subject to LCR HQLA based haircuts and, a reflection of the value of re-usable initial margin.

ISSUE 2
Additional funding requirement for derivative liabilities (20% RSF add-on)

The second issue is the 20% RSF add-on that applies to derivatives liabilities before the netting of posted collateral or derivatives assets⁴. In practice, the total stable funding requirement is determined not only by the difference between assets and liabilities but also by an additional RSF requirement which is purely calculated as a 20% of the

³ The NSFR does not recognise a large portion of cash collateral received because recognition is dependent on the Basel III Leverage Ratio (LR) netting criteria. This is particularly problematic because the leverage ratio netting criteria are exposure-based and do not reflect underlying funding risk. These criteria include: 1) The disallowance of collateral as soon as an agreement exhibits a minimal amount of under-collateralisation (where the mark-to-market is not fully extinguished) which introduces significant NSFR volatility that is not related to funding risk; 2) The disallowance of collateral received that is not calculated and exchanged on at least a daily basis (this means firms would have to ignore all collateral received from counterparties that post collateral more infrequently); and 3) Cash variation margin received that is not in the same currency of the currency of settlement of the derivative contract is disallowed.

⁴ We understand the measure is designed to capture contingent liquidity risks. However, we believe that such contingent funding risks related to derivatives MTM movements are already adequately captured by the Liquidity Coverage Ratio (LCR) – a stressed measure whose buffer is designed

(gross) derivatives MTM liabilities. This means that the additional requirement is totally risk-insensitive and independent of any existing collateral and of the amount of derivatives assets (i.e. only the orange box in the chart above matters, no consideration is given to the green, yellow and grey boxes). It is important to stress that the measure was not included in any BCBS NSFR consultative document prior to appearing in the final standard and hence stakeholders did not have an opportunity to comment on it and no impact assessment of the measure was undertaken. According to the industry QIS, the impact of this measure would be particularly significant as it would result in an industry-wide funding requirement of €340 billion.

Given the 20% RSF measure has never been fully assessed and impact tested, nor have any alternatives been adequately evaluated, ***we believe it is crucial that the Commission defer the adoption of a measure until it has been able to fully assess and observe the potential impacts of different alternatives.***

Also, given the importance of international consistency, ***we urge the EC and European members of the Basel Committee work with their global peers to find more appropriate approaches*** and to take the changes that result from the Commission's final analysis back to the Basel Committee to obtain the necessary revisions of the global NSFR.

We welcome the fact that in the EC proposals the funding value of cash and high quality liquid assets (Level 1 HQLA) is recognised.

However, strong concerns remain regarding the additional funding requirements for derivatives liabilities: in this area the EC gives bank the option of using an alternative to the very punitive 20% RSF add-on (option to use a SA-CCR measure); also the EC proposed to review these provisions through a Delegated Act. While it is potentially positive that alternatives are considered, acknowledging the unintended effects of the 20% RSF add-on, the industry believes that additional funding requirements for derivatives liabilities should not be imposed until alternative options have been adequately assessed.

III. Eliminating the ASF/RSF asymmetry for repos and reverse repos

Repo markets play a key role in the financial system

Repo transactions play a vital role⁵ within the financial system and underpin the functioning of primary and secondary capital markets in addition to the shorter-term money markets. More broadly, the repo market promotes the more efficient use of available tradeable stock for collateral management.

The Basel NSFR introduces an asymmetric treatment between short term (less than 6 months) borrowing from and lending to financial institutions. The short-term funding received *from* financial institutions, including repo transactions, are not recognized as stable funding (i.e. receive a 0% available stable funding, ASF), while short-term lending *to* financial institutions, including reverse repos, are subject to a 10% or 15% required stable funding (RSF) factor, depending on the quality of the collateral.

Owing to the size of the European repo market, small asymmetries in ASF and RSF factors will have a very large impact. Therefore, we disagree with the 10%/15% RSF required for repos in the Basel NSFR standard.

We would note that repo business is a high volume and low margin business which is already shrinking on account of the leverage ratio, and may be contributing to a decline

to be drawn down in times of stress. The NSFR is not designed as a stress-based ratio but is instead a requirement designed to ensure that banks fund their activities with sufficiently stable sources of funding.

⁵ For a detailed explanation of the importance of repo markets, we refer to ICMA's FAQ on that topic:

<http://www.icmagroup.org/assets/documents/Regulatory/Repo/Repo-FAQs-4-December-2015.pdf>;

For further detail on the role of the repo markets and the likely impact of the NSFR, we would refer to the recent report from ICMA:

<http://www.icmagroup.org/assets/documents/Regulatory/Repo/ERCC-NSFR-230316.pdf>.

in liquidity in the financial markets. The proposed treatments under the Basel NSFR are therefore particularly disproportionate and at risk of unintended consequences.

What is the EU proposing on repos?

The EC, in its impact assessment acknowledges the validity of the concerns explained above and the potential contradiction with the CMU objectives; they also note the Economic and Financial Committee's (sub-committee on EU sovereign debt markets) concerns on the possible impact the asymmetry could have on the market-making ability of financial institutions.

Consequently, the EC is proposing a reduction in the ASF/RSF asymmetry (downward recalibration to 5%/10%, compared to the BCBS 10%/15%).

While this reduction in the asymmetry might be seen as a positive step, given the large impact that even a small asymmetry is likely to have, we believe this is not sufficient and that ***a full removal of the asymmetry (with a 0% RSF for reverse repos) is necessary***. As an inferior alternative, if the policy objective of introducing asymmetry is to penalise bank interaction with the unregulated financial sector such as hedge funds, ***the asymmetry of ASF and RSF factors for repo transactions could be applied only to agreements with non-regulated financial entities***.

IV. Other issues

Securities Market Making: The NSFR, if implemented in its current form, could have unintended consequences for primary and secondary dealing in securities. Market makers in equities and other securities, such as corporate debt and securitisations, face extremely penalising long term funding charges (e.g. 50- 85% RSF) under the NSFR. Whilst appropriate for the LCR, which is a short-term stress metric, the replication of these haircuts within the NSFR as a structural measure is not logical and risks jeopardising the market-making function of banks in these securities; a function which is vital for supporting real-economy end users who rely on an active and sizable market for financing. the industry therefore ***supports the EC's application of a 0% RSF for high quality sovereign securities to support market liquidity but recommends a review of the RSF factors applied to other securities***.

Off balance sheet collateral swaps: Banks source collateral in a variety of ways: through outright purchase, secured borrowing, rehypothecable margin received or asset exchanges e.g. collateral swaps. Collateral swaps, where the bank receives collateral which is of higher quality than the collateral posted, in a term transaction, receives no ASF value in the NSFR despite being akin to a repo. This treatment risks disincentivising off-balance sheet asset exchange activity, which is a vital component of market liquidity for securities. To mitigate this risk, there should be ASF recognition for collateral swaps of greater than one year where the bank has received higher quality collateral.

Prime brokerage: We consider that there should be an allocation of more realistic RSF factors to reflect the lower risk nature of prime brokerage transactions owing to the short-term nature and the extent of the collateralisation involved in many services.

Factoring: There is no specific treatment given for factoring exposures and we would recommend the application of trade finance RSF factors to this business.

Use of Delegated Acts: It is envisaged that very significant and resource intensive aspects of the proposed standard, including the treatment of repos and derivatives, will be passed to the EBA for further analysis and quantitative assessment before Delegated Acts are implemented to introduce the relevant aspects of the new standard. These Delegated Acts may not be completed for potentially up to five years after the publication of CRDV in the Official Journal. Instead, the industry believes NSFR treatments should be fully assessed, understood and agreed before the application of

any aspect of the standard. There should not be a need therefore for interim treatments or Delegated Acts which would lead to uncertainty and pricing difficulties.

Areas of super-equivalence to BCBS standard: The EC is seeking to implement super-equivalent areas to the BCBS standard which would unnecessarily constrain EU banks. These areas have not been subject to an impact analysis and some are technically flawed. In particular: 1) The automatic application of more stringent third country treatments does not allow scope for the analysis of their appropriateness or suitability; 2) The restriction and reporting of currency mismatches is not meaningful owing to the treatment of FX derivatives where no ASF is permitted and a swap position will be shown only as a marked to market value.

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About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 66 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.