



FEDERATION BANCAIRE DE L'UNION EUROPEENNE  
BANKING FEDERATION OF THE EUROPEAN UNION  
BANKENVEREINIGUNG DER EUROPÄISCHEN UNION

in co-operation with



EUROPEAN SAVINGS BANKS GROUP  
GROUPEMENT EUROPEEN DES CAISSES D'EPARGNE  
EUROPÄISCHE SPARKASSENVEREINIGUNG



EUROPEAN ASSOCIATION OF COOPERATIVE BANKS  
GROUPEMENT EUROPEEN DES BANQUES COOPERATIVES  
EUROPÄISCHE VEREINIGUNG DER GENOSSENSCHAFTSBANKEN

## MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS

### MARGIN MAINTENANCE ANNEX FOR REPURCHASE TRANSACTIONS AND SECURITIES LOANS Edition January 2001

This Annex supplements the General Provisions which form part of any Master Agreement for Financial Transactions based on the form published by the Banking Federation of the European Union.

#### 1. Net Exposure

(1) General Principles. If, at any time when Net Exposure is calculated pursuant to subsection 2, the Liabilities of one party (the "Margin Provider") under any Repurchase Transactions and/or Securities Loans and/or resulting from transfers of Margin pursuant to this Annex exceed the Liabilities of the other party (the "Margin Recipient") under such Transactions, the Margin Recipient may by notice to the Margin Provider require the same to transfer to it cash ("Cash Margin") or Securities ("Margin Securities") acceptable to the Margin Recipient and whose aggregate Market Value, when multiplied by the valuation percentage, if any, agreed between the parties ("Valuation Percentage"), shall be at least equal to the Net Exposure. Such notice may be given orally or as provided in Section 8(1) of the General Provisions. The Net Exposure will be determined, and accordingly Margin will be required to be transferred, in respect of (a) all such Transactions, (b) specified groups of Transactions or (c) each individual Transaction, as agreed by the parties (in the Special Provisions or otherwise), provided that failing such agreement, (b) shall apply in such a manner that all Repurchase Transactions and all Securities Loans shall each form a separate group of Transactions to which this Annex applies. The "Market

Value" of cash shall be the nominal amount thereof, converted, if not denominated in the Base Currency, in accordance with subsection 2. Any reference in this Annex to Transactions shall be construed as a reference to Repurchase Transactions or Securities Loans, or both.

(2) Calculation. The person designated by the parties for this purpose or, failing such designation, each party (each the "Calculation Agent") shall calculate the Net Exposure on each Valuation Date by 11 a.m. Brussels time. The Net Exposure shall be expressed as a positive number if the Calculation Agent would, pursuant to its calculation, be the Margin Recipient, and shall otherwise be expressed as a negative number. All calculations shall be made in the Base Currency; any amount not denominated in the Base Currency shall be converted into the Base Currency at the Applicable Exchange Rate.

(3) Definitions. "Net Exposure" means the excess (if any), calculated pursuant to subsection 2, of the Liabilities of the Margin Provider over the Liabilities of the Margin Recipient, provided that (a) the amount of any prior Net Exposure in respect of which a transfer of Margin has already been required, but not completed, shall be subtracted from any Net Exposure subsequently calculated and (b) if both parties act as Calculation Agent and their calculations of Net Exposure differ from each other, (i) the Net Exposure shall be one-half of the difference of the amounts so calculated by both parties (such difference being, for the avoidance of doubt, the



sum of the absolute values of such amounts if one is positive and the other negative) and (ii) the Margin Provider shall be the party which has calculated a negative or the lower positive amount;

"Liabilities" means, with respect to a party, the aggregate of

(a) the Market Values of any Securities transferred to that party under a Transaction or pursuant to this Annex and not yet returned to the other party, multiplied (i) in the case of Loaned Securities, by the applicable Margin Ratio and (ii) in the case of Margin Securities, by any applicable Valuation Percentage;

(b) a cash amount equal to the sum of (i) the amount, multiplied by the applicable Margin Ratio, of that party's obligation(s) to pay the Repurchase Price in respect of any Repurchase Transaction if the relevant Valuation Date were the Repurchase Date, and (ii) the Market Value, multiplied by any applicable Valuation Percentage, of any Cash Margin transferred to and not repaid by that party (including unpaid accrued interest on such Cash Margin); and

(c) the cash amount or cash equivalent in respect of any Distribution to be paid or transferred by such party to the other party, but not yet paid or transferred;

"Margin" means either Cash Margin or Margin Securities;

"Margin Ratio" (also called "Haircut") means, with respect to each Repurchase Transaction or Securities Loan, the percentage agreed by the parties by which amount of obligations of, and the Market Values of Securities owed by, the Seller or the Borrower in relation to the Repurchase Price and the Loaned Securities, respectively, are multiplied, as provided under "Liabilities" above, in order to determine the Net Exposure; failing an agreement to that effect, the Margin Ratio shall be equal to (a) with respect to a Repurchase Transaction, the Market Value of the Purchased Securities on the date on which the Transaction was entered into, divided by the Purchase Price, and (b) with respect to a Securities Loan (i) the Market Value, on the date on which the Transaction was entered into, of any Margin to be provided at the commencement of such Loan, multiplied by the applicable Valuation Percentage and divided by the Market Value of the Loaned Securities as of such date, and (ii) if no Margin is provided at the commencement of such Loan, 100 per cent., unless the parties have expressly excluded the provision of Margin for the entire term of the Transaction, in which case the Margin Ratio shall be zero until the Return Date;

"Valuation Date" means each of the dates agreed as such between the parties, and failing such agreement each Business Day.

## **2. Notification of Net Exposure and Transfer of Margin**

(1) Notification. Promptly after determining the Net Exposure, the Calculation Agent shall notify the other party of the Net Exposure and upon request provide it with a statement setting forth in reasonable detail the calculation basis of the Net Exposure.

(2) Transfer. The Margin Provider shall, upon receipt of the notice referred to in the first sentence of Section 1(1), transfer to the Margin Recipient Margin with an aggregate Market Value at least equal to the Net Exposure no later than the date agreed for such transfer, and failing such agreement (a) promptly upon receipt of the notification pursuant to subsection 1 (and if practicable on the day of such receipt) if the Margin Provider is obligated to transfer Cash Margin, and (b) otherwise, if practicable, on the Business Day immediately following such receipt.

(3) Composition of Margin. The Margin Provider is entitled to determine the composition of the Margin to be transferred, unless the Margin Recipient has previously paid Cash Margin which has not been repaid or transferred Margin Securities which have not been returned to it, in which case the Margin Recipient may require the Margin Provider to first repay such Cash Margin or return such Margin Securities.

(4) Cash Margin. Cash Margin shall be acceptable for the purpose of Section 1 (1) if transferred in the Base Currency or such other currency as the parties may have specified as eligible (in the Special Provisions or otherwise). A payment of Cash Margin shall give rise to a debt owing from the Margin Recipient to the Margin Provider and shall bear interest at such rate, and payable at such times, as agreed by the parties. In the absence of such agreement, that rate shall be equal to the Interbank Rate less 0.10 per cent. per annum, and the interest shall be payable at the end of each calendar month and on each date when the Margin Recipient is required to provide or return Margin.

(5) Margin Securities. Margin Securities shall be acceptable for the purpose of Section 1(1) if Securities of the relevant kind (a) have been specified by the parties as eligible (in the Special Provisions or otherwise) or (b) have an original maturity of not more than five years and are issued by the central government of the country in which the Margin Recipient has its principal office or in which it is organised, incorporated or resident. A transfer of Margin Securities shall give rise to an obligation of the Margin Recipient to the Margin Provider to return such Securities as provided in this Annex.

(6) Margin Thresholds. Except in the case of a return of Margin pursuant to subsection 7, a transfer of Margin will take place only (a) to the extent that the Net Exposure exceeds the threshold amount, if any, agreed by the parties ("Exposure Threshold") and (b) if the Market Value of the Margin to be transferred exceeds the minimum amount, if any, agreed for such transfer (the "Minimum Transfer Amount"). In the absence of an agreement on either or both such amounts, they shall both be zero.

(7) Return of Margin. Upon satisfaction by a party of all its obligations under Transactions in respect of which Margin is required to be transferred as provided in the third sentence of Section 1(1), any Margin previously



transferred and not returned shall be returned to the party which transferred it.

### **3. Provisions Applicable to Margin Securities**

The provisions of Section 3 of the Repurchase Annex (regarding substitution of Purchased Securities) and Sections 2(3), 2(5)(b)(ii) and (d), 2(6) and 3 of the Securities Lending Annex (regarding interpretation, failure to return Loaned Securities, special events, Distributions and subscription rights) shall apply *mutatis mutandis* to Margin Securities transferred pursuant to this Annex, provided that (a) the consent of the Margin Recipient shall not be required for a substitution by the Margin Provider of new Margin Securities acceptable pursuant to Section 2(5) for Margin Securities previously transferred and (b) if any of the special events referred to in Section 2(6) of the Securities Lending Annex occurs in relation to Margin Securities, the relevant Transaction shall not be modified or terminated, but Margin acceptable pursuant to Section 2 (4) or (5) shall be substituted for such Securities upon request of either party.