



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 DE SCAISSÉS D' EPARGNE  
EUROPÄISCHE SPARKASSENVEREINIGUNG



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

## MASTER AGREEMENT FOR FINANCIAL TRANSACTIONS

### MARGIN MAINTENANCE ANNEX (TITLE TRANSFER)

Edition 2020

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

#### 1. Adjusted Net Exposure

- (1) General Principles. If, at any time when Net Exposure is calculated pursuant to sub-section 3, one party (the “*Margin Transferee*”) has a positive Adjusted Net Exposure to the other (the “*Margin Transferor*”), the Margin Transferee may by notice to the Margin Transferor require the same to transfer to the Margin Transferee Cash Margin or Margin Securities. The Market Values of such Margin Securities or Cash Margin, in each case, when multiplied by the applicable valuation percentage, if any, agreed between the parties in the Special Provisions (“*Valuation Percentage*”) shall be at least equal to the Adjusted Net Exposure.
- (2) Scope of Annex. The Adjusted Net Exposure will be determined, and accordingly Margin will be required to be transferred, in respect of (a) all Transactions, (b) specified groups of Transactions, (c) each individual Transaction or (d) otherwise, as agreed by the parties (in the Special Provisions), provided that absent such agreement in the Special Provisions, alternative (b) shall apply in such a manner that [all Repurchase Transactions, all Securities Loans, all Derivative Transactions and all Deposits and Loans] shall each form a separate group of Transactions to which this Annex applies.
- (3) Calculation. The person designated by the parties for this purpose or, failing such designation, the Margin Transferee (the “*Valuation Agent*”), shall calculate the Adjusted Net Exposure for each Valuation Date. 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.
- (4) Definitions.

“*Adjusted Net Exposure*” for a party means the aggregate of the Net Exposure for that party plus any supplementary

amount (“*Independent Amount*”) agreed in favour of that party less any Independent Amount agreed in favour of the other party.

“*Net Exposure*”, which can be negative or positive, means with respect to a party, the aggregate of the following amounts:

(I) in relation to Repurchase Transactions, Securities Loans, and Deposits and Loans, the difference between the other party’s Liabilities and that party’s Liabilities;

(II) in relation to Derivative Transactions, that party’s Potential Final Settlement Amount; and

(III) the difference between (i) the Margin Value of the Margin transferred by that party and not yet returned, together with the cash amount or cash equivalent amount in respect of any Distributions to be paid or transferred in relation to any Margin Securities and not yet paid or transferred, and any interest amount calculated on any Cash Margin in accordance with Section 2(4); and (ii) the Margin Value of the Margin transferred by the other party and not yet returned, together with the cash amount or cash equivalent in respect of any Distributions to be paid or transferred in relation to any Margin Securities and not yet paid or transferred, and any interest amount calculated on any Cash Margin in accordance with Section 2(4);

in each case as at the close of business on the Valuation Date.

“*Liabilities*” means, with respect to a party, the aggregate of the following amounts:

(I) in relation to Securities Loans, the sum of (i) the Market Values of any Securities transferred to that party under the outstanding Transactions and not yet returned multiplied by the applicable Margin Ratio, and (ii) the cash amount or cash equivalent amount in respect of any Distribution in relation to such Loaned Securities to be transferred by such party to the other party, and not yet returned;

(II) in relation to Repurchase Transactions, the sum of: (a)

either (i) the Market Values of any Securities transferred to that party under the Transactions and not yet returned, plus a cash amount equal to 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, multiplied by the applicable Margin Ratio, or (ii) the Market Values of any Securities transferred to that party under the Transactions and not yet returned, multiplied by the applicable Haircut, plus a cash amount equal to 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 (b) the cash amount or cash equivalent in respect of any Distribution to be paid or transferred in relation to such Purchased Securities to be transferred by such party, and not yet returned; and

(III) in relation to Deposits and Loans, the amount determined in accordance with Section 5 of the Annex for Deposits and Loans.

**"Haircut"** means, with respect to each Repurchase Transaction, the discount factor applied to the Market Value of the relevant Securities as agreed by the parties, expressed as the mathematical result of  $1 -$  the applicable discount.

**"Margin"** means Cash Margin or Margin Securities.

**"Margin Ratio"** means, with respect to each Repurchase Transaction or Securities Loan, the percentage agreed by the parties by which the Liabilities of 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 Securities 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 Securities 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.

**"Margin Value"** means in relation to Cash Margin and Margin Securities, their Market Value, in each such case, as multiplied by the applicable Valuation Percentage.

**"Market Value"** of cash shall be the nominal amount thereof, converted, if not denominated in the Base Currency, in accordance with sub-section 1(3) of the General Provisions

**"Potential Final Settlement Amount"** means, with respect to a party, an amount equal to the Final Settlement Amount calculated in respect of Derivative Transactions (but for the avoidance of doubt excluding Repurchase Transactions, Securities Loans, Deposits and Loans, and Margin Claims), such determination to be made in accordance with Section 7(1)(a) and (b) of the General Provisions as if such party were the Calculation Party.

**"Valuation Date"** means, in respect of calculation of the

Net Exposure, each of the dates agreed as such between the parties, and failing such agreement, each Business Day.

## 2. Notification and Transfer of Margin

(1) **Notification.** Promptly after determining the Net Exposure, the Valuation Agent shall notify each relevant party of the Adjusted Net Exposure and upon request of a party provide such party with a statement setting forth in reasonable detail the calculation basis of the Adjusted Net Exposure.

(2) **Transfer Timing.** The Margin Transferor shall, upon receipt of the notice referred to in the first sentence of Section 1(1), initiate the transfer of Margin to the Margin Transferee with an aggregate Market Value at least equal to the Adjusted Net Exposure no later than the close of business on the same Business Day as the date of receipt of such notice, if such notice is received on a Business Day prior to 12:00 p.m. Brussels time (unless otherwise agreed by the parties in the Special Provisions) (the **"Notification Time"**) and otherwise not later than the close of business on the Business Day following such receipt.

### (3) Composition of Margin.

(a) The Margin Transferor is entitled to determine the composition of the Margin to be transferred, unless the Margin Transferee 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 Transferor shall first repay such Cash Margin or return such Margin Securities.

(b) If the Margin, in full or in part, ceases or will cease to be qualified as eligible margin under the law applicable to the Margin Transferee (**"Non-eligible Margin"**), the Margin Transferee shall provide notice of such ineligibility to the Margin Transferor, providing reasons for such ineligibility in sufficient detail (**"Ineligibility Notice"**), and specifying the date from which the Margin will be deemed to be Non-eligible Margin, which date will not be earlier than 5 Business Days following the date of delivery of such Ineligibility Notice (**"Ineligibility Date"**). As of the Ineligibility Date, the Non-eligible Margin shall have a Market Value of zero, other than for the purpose of Section 7 of the General Provisions.

(c) The Margin Transferee shall be obliged to return the Non-eligible Margin promptly upon demand, provided that as of the date of return, the Margin Transferor has fulfilled all of its transfer obligations under this Annex.

### (4) Cash Margin.

(a) Margin in the form of cash shall be acceptable under this Annex if transferred in the Base Currency or such other currency as the parties may have specified in the Special Provisions as eligible (**"Cash Margin"**). A payment of Cash Margin shall give rise to a debt owing from the Margin Transferee to the Margin Transferor. Such Cash Margin shall bear interest at the rate agreed in the Special Provisions (absent such agreement, the rate shall be equal to the relevant Interest Reference Rate). Such interest amount, if positive, shall be payable by the Margin Transferee to the Margin Transferor on the second Business Day of each calendar month for the

interest accumulated in the preceding calendar month or at such times, as agreed by the parties, provided that if the interest amount for the relevant period would be a negative amount, such amount will be deemed to be zero, unless the parties have elected to apply “Negative Interest”.

(b) Where the parties have elected in the Special Provisions to apply “Negative Interest” and where the interest would be a negative amount, such amount (i) shall be deemed to be zero for the Margin Transferee, and (ii) the Margin Transferor shall pay the absolute value of the negative interest to the Margin Transferee on the second Business Day of each calendar month for such interest accumulated in the preceding calendar month or at such times as agreed by the parties.

(5) Margin Securities. Margin in the form of Securities shall be acceptable under this Annex if such Securities have been specified by the parties as eligible (in the Special Provisions “*Margin Securities*”). A transfer of Margin Securities shall give rise to an obligation of the Margin Transferee to the Margin Transferor to return such Securities.

(6) Margin Thresholds, Minimum Transfer Amount. Except in the case of a return of Margin pursuant to subsection 7, a transfer of Margin will take place if and to the extent (a) the Adjusted Net Exposure exceeds the threshold amount, if any, agreed by the parties in the Special Provisions (“*Exposure Threshold*”) in relation to the Margin Transferee’s Net Exposure (and only to the extent of such excess); 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 agreement on either or both such amounts, such amount shall 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 fourth sentence of Section 1(1), any Margin previously transferred and not returned shall be returned to the party which transferred it.

### 3. Substitution

The Margin Transferor may, at its cost and with the consent of the Margin Transferee, substitute for any transferred Margin other Margin (“New Margin”) which at the time at which the parties agree to such substitution shall have a Margin Value at least equal to the Margin Value of the Margin for which they are substituted. The substitution will be carried out by simultaneous transfer of the New Margin in exchange for the Margin to be replaced.

### 4. Failure to transfer, remedies, special events

The provisions of Sections 2(3), 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: 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) of this Annex shall be

substituted for such Securities upon request of either party.

### 5. Dispute Resolution

In the case that a party disputes the calculation of the Valuation Agent, that party will (if) notify the Valuation Agent and the other party (if the other party is not the Valuation Agent) of such dispute not later than the close of business on the date that the transfer is due (“Due Date”); and (ii) the appropriate party will transfer any undisputed amount to the other party not later than the close of business on the Due Date. The parties will consult with each other to resolve the dispute. If they are unable to resolve such dispute through consultation by 2 p.m. Brussels time (unless otherwise agreed by the parties in the Special Provisions), (the “Resolution Time”), on the Business Day following the Due Date, the Valuation Agent shall re-calculate the disputed amount based on the average of mid-market quotations obtained from four leading market participants as reference banks. Where less than four quotations are available, the average of available mid-market quotations will be used. Where no quotations are available, the original calculation of the Valuation Agent shall apply. The Valuation Agent will notify each relevant party of the results of these calculations not later than 2pm Brussels time on the second Business Day following the Due Date. Upon such notification, the appropriate party will initiate the transfer such recalculated amount as soon as possible.