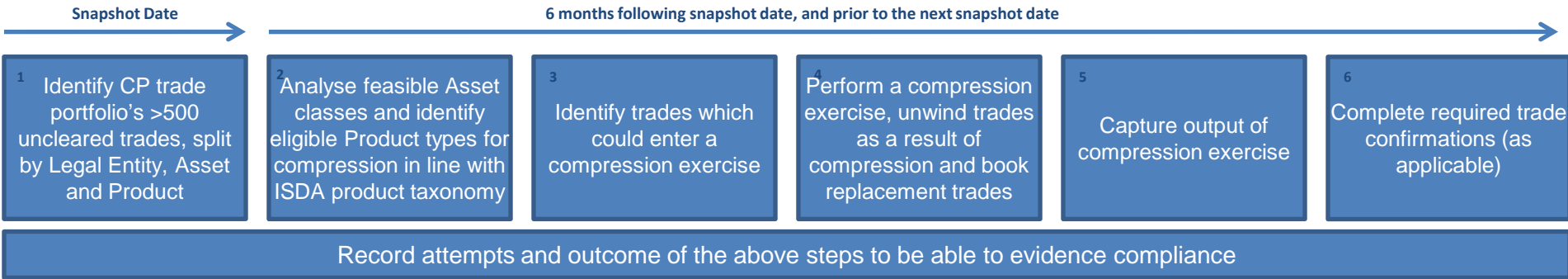


EMIR Portfolio Compressions – Strawman

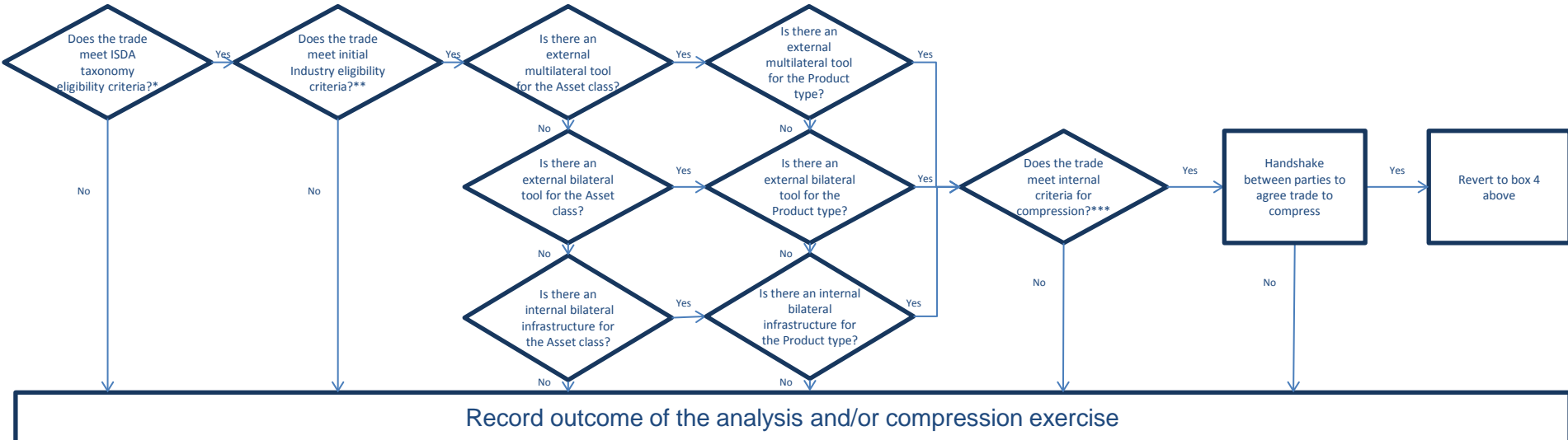
EMIR directive states:

'Financial counterparties and non-financial counterparties with 500 or more OTC derivative contracts outstanding with a counterparty which are not centrally cleared shall have in place procedures to regularly, and at least twice a year, analyse the possibility to conduct a portfolio compression exercise in order to reduce their counterparty credit risk and engage in such a portfolio compression exercise.'

'Financial counterparties and non-financial counterparties shall ensure that they are able to provide a reasonable and valid explanation to the relevant competent authority for concluding that a portfolio compression exercise is not appropriate.'



Proposed analysis steps to understand possibility to conduct a portfolio compression exercise (expansion of box 2/3 above)



* Details of the ISDA OTC Derivatives Products Taxonomy can be found at <http://www2.isda.org/functional-areas/technology-infrastructure/data-and-reporting/identifiers/upi-and-taxonomies/>

** The industry may agree to criteria on trades which are not feasible to be compressed – examples include trades forming part of a larger structure or trades about to be cleared.

*** Each participant will have internal criteria on trades which are not feasible to be compressed – examples include certain trading books or short term to maturity trades. Internal policies can be applied to the analysis in this step.