

IMPORTANT NOTICE

European Central CounterParty Limited



#: E#4-10
Date: 01 May 2010
To: All Participants
Attention: Managing Partner/Officer;
Manager, Operations Department;
Manager, Treasury/Finance Department
From: EuroCCP Risk Management
Subject: Margin and Guarantee Fund – Eligible Collateral – Change to Ratings and Haircuts Effective May 3rd 2010

As provided in EuroCCP's Rules, Participants' Margin Amounts and Guarantee Fund contributions ("Contributions") may be met with cash, Eligible Government Securities and letters of credit in prescribed form issued by an Approved Letter of Credit Issuer ("LOC").

Cash:

Cash must be paid in an Acceptable Currency (currently Euros, Sterling or U.S. Dollars) and must comprise a minimum of 40% of the required Margin Amount deposit and the required Contribution. LOCs may not exceed 25% of either required amount.

The Corporation permits Participants to designate one of the Acceptable Currencies as their "designated" currency, and assesses Margin Amounts and Contributions in the designated currency. Cash deposits made in a currency other than the Participant's designated currency will be discounted, receiving a 5% haircut.

Eligible Government Securities:

The following criteria must be satisfied for sovereign debt to constitute "Eligible Government Securities".
Sovereign debt:

- must be issued and denominated in either Euros, Sterling or U.S. Dollars;
- the country of issuance must be a current EuroCCP market (see the table provided below);
- must be eligible for deposit at Euroclear Bank (with the exception U.K. sovereign debt, which must be eligible for deposit at Euroclear U.K. & Ireland ("Crest"));
- must be a fixed rate or a zero coupon bond; sovereign debt paying variable-rate coupons, or with a callable feature, will not be eligible collateral for EuroCCP;
- must be highly rated by at least one ratings agency (Standard & Poor's, Moody's Investors Service ("Moody's") or any other rating agency designated by EuroCCP from time to time), and be rated, as follows:

The following ratings and haircut levels will be effective 3rd May 2010:-

<u>Country</u>	<u>Minimum Acceptable Rating</u>	<u>Haircut Rate < 5 years to maturity</u>	<u>Haircut Rate > 5 years to maturity</u>
Austria	AAA/Aaa	4%	10%
Denmark	AAA/Aaa	4%	10%
England and Wales	AAA/Aaa	4%	10%
Finland	AAA/Aaa	4%	10%
France	AAA/Aaa	4%	10%
Germany	AAA/Aaa	4%	10%
Netherlands	AAA/Aaa	4%	10%
Norway	AAA/Aaa	4%	10%
Sweden	AAA/Aaa	4%	10%
Switzerland	AAA/Aaa	4%	10%
Belgium	AA+/Aa1	8%	14%
Italy	A+/A1	8%	14%
Republic of Ireland	AA-/ Aa3	8%	14%

Sovereign debt denominated in anything other than the Participant's designated currency will be subject to an additional 5% haircut.

Note that for the purposes of determining eligibility, if sovereign debt is rated by both Standard & Poor's and Moody's, EuroCCP will utilize the lowest applicable rating. Any sovereign debt rated lower than the ratings shown above will **not** be eligible.

EuroCCP may from time to time adjust the above haircuts, and will notify Participants of any adjustments via Important Notice.

Letters of Credit:

There are currently no EuroCCP Approved Letter of Credit Issuers. Requests for financial institutions to be considered as an Approved LOC Issuer should be directed to Bhagwant Singh on 020 7650 1569.

Bhagwant Singh
Vice President, EuroCCP Risk Management