EUROPEAN MARKETS INFRASTRUCTURE REGULATION POLICY

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1. Introduction

The purpose of the **European Market Infrastructure Regulation Policy** (the "EMIR Policy" or the "Policy") is to establish the regulatory compliance framework when Omega Funds Investment Ltd ("the Company") is trading in OTC derivatives, in line with the provisions stipulated in the European Market Infrastructure Regulation (EU) No 648/2012 ("EMIR"), as well the new regime introduced in June 2019 by the Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 (hereinafter the "EMIR ReFIT - 2019/834").

The Policy outlines the principles of derivatives trading under EMIR, including among others:

- the legislative requirements with regards to trading in derivative instruments;
- the reporting requirements;
- the risk mitigation techniques;
- the clearing obligations;
- the exchange of collateral requirements;
- the documentation to be signed between the Company and its counterparties with regards to the derivative transactions;
- other requirements imposed by EMIR.

This Policy is approved by the Board of Directors ("BoD") and is reviewed annually or more frequently, should the need arise.

In cases where there are references in any of the internal policies and procedures of the Company in relation to issues covered by this Policy, which were approved prior to the approval of this Policy, the provisions of this Policy will prevail.

2. Regulatory References

Regulations

- "EMIR" - REGULATION (EU) No 648/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
- "ReFIT" - REGULATION (EU) 2019/834 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories

Reporting Obligations

- COMMISSION DELEGATED REGULATION (EU) No 148/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regards to regulatory technical standards on the minimum details of the data to be reported to trade repositories
- COMMISSION IMPLEMENTING REGULATION (EU) No 1247/2012 of 19 December 2012 laying down implementing technical standards with regard to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories
- COMMISSION DELEGATED REGULATION (EU) 2017/104 of 19 October 2016 amending Delegated Regulation (EU) No 148/2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regards to regulatory technical standards on the minimum details of the data to be reported to trade repositories
- COMMISSION IMPLEMENTING REGULATION (EU) 2017/105 of 19 October 2016 amending Implementing Regulation (EU) No 1247/2012 laying down implementing technical standards with regards to the format and frequency of trade reports to trade repositories according to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories

Clearing Obligations

- COMMISSION DELEGATED REGULATION (EU) 2015/2205 of 6 August 2015 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regards to regulatory technical standards on the clearing obligation
- COMMISSION DELEGATED REGULATION (EU) 2016/592 of 1 March 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regards to regulatory technical standards on the clearing obligation
- COMMISSION DELEGATED REGULATION (EU) 2016/1178 of 10 June 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regards to regulatory technical standards on the clearing obligation

- COMMISSION DELEGATED REGULATION (EU) 2017/751 of 16 March 2017 amending Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 as regards the deadline for compliance with clearing obligations for certain counterparties dealing with OTC derivatives

Risk mitigation techniques

- COMMISSION DELEGATED REGULATION (EU) No 149/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regards to regulatory technical standards on indirect clearing arrangements, the clearing obligation, the public register, access to a trading venue, non-financial counterparties, and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP
- COMMISSION DELEGATED REGULATION (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regards to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty
- COMMISSION DELEGATED REGULATION (EU) 2017/323 of 20 January 2017 correcting Delegated Regulation (EU) 2016/2251 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regards to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty

ESMA Q&A

- ESMA Questions and Answers: Implementation of the Regulation (EU) No 648/2012

3. Acronyms and Definitions

All terms and definitions used in the present document have the meaning indicated below:

Acronyms

AANA	Aggregate Average Notional Amount (AANA)
CSA	Credit Support Annex
CySEC	Cyprus Securities and Exchange Commission
EEA	European Economic Area
ESMA	European Securities and Markets Authority
ETD	Exchange Traded Derivatives
FC	Financial Counterparty
IM	Initial Margin
ISDA	International Swaps and Derivatives Association
LEI	Legal Entity Identifier
MTA	Minimum Transfer Amount
MTM	Mark to Market
NFC	Non-Financial Counterparty
OTC	Over The Counter
TCEs	Third Country Entities
TR	Trade Repository
UCITS	Undertakings for the Collective Investment of Transferable Securities
VM	Variation Margin

Definitions

Central Counterparty (CCP) – means a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer. A CCP facilitates trading in derivatives through clearing and settlement of transactions for the entities registered with it.

Clearing – means the process of establishing positions, including the calculation of net obligations, and ensuring that financial instruments, cash, or both, are available to secure the exposures arising from those positions.

Counterparty – means a Financial Counterparty (FC), a Non-Financial Counterparty above threshold (NFC+) as well as a Non-Financial Counterparty below threshold (NFC-), as defined in EMIR.

Credit Support Annex (CSA) – means a legal agreement which provides credit protection by setting forth the terms and conditions of the credit arrangements between the counterparties. The trades are normally executed under an ISDA Master Agreement.

Derivative financial instrument(s) – means those financial instruments defined in points C(4) to C(10) of Section C of Annex I of Directive 2014/65/EU.

Financial Counterparty (FC) – means an MIFID[1] investment firm, a credit institution under the Banking Directive[2], an insurance undertaking and reinsurance undertaking[3], a UCITS or its management company[4] (unless that UCITS is set up exclusively for the purpose of serving one or more employee share purchase plans), an institution for occupational retirement provision[5], a central securities depository[6], and an alternative investment fund[7] (apart fund which is AIF SSPE (Securitization Special Purpose Entities[8]) and AIF Purchase plan (i.e. set up exclusively for serving one or more employee share purchase plans).

Initial Margin (IM) – means the collateral collected by a counterparty to cover its current and potential future exposure in the interval between the last collection of margin and the liquidation of positions or hedging of market risk following a default of the other counterparty.

ISDA Master Agreement (the ISDA) – means the standard document, that is commonly used to govern over-the-counter derivatives transactions, which is published by ISDA and outlines the standard terms to be applied to a derivative transaction between two parties. The Master Agreement itself is standard, but it is accompanied by a customized Schedule and a Credit Support Annex, both of which are signed by the two parties to a given transaction.

Mark to Market (MTM) – means the valuation of positions at readily available close out prices that are sourced independently, including exchange prices, screen prices or quotes from several independent reputable brokers.

Minimum Transfer Amount (MTA) – means the minimum size threshold below which exchange of collateral may not be made. When the Company enters or entered into transactions with FCs or NFCs+, as

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[1] *Authorised in accordance with Directive 2014/65/EU of the European Parliament and of the Council*

[2] *Authorised in accordance with Directive 2013/36/EU of the European Parliament and of the Council*

[3] *Authorised in accordance with Directive 2009/138/EC of the European Parliament and of the Council*

[4] *Authorised in accordance with Directive 2009/65/EC*

[5] *As defined in point (1) of Article 6 of Directive (EU) 2016/2341 of the European Parliament and of the Council*

[6] *Authorised in accordance with Regulation (EU) No 909/2014 of the European Parliament and of the Council*

[7] *As defined in point (a) of Article 4(1) of Directive 2011/61/EU, which is either established in the Union or managed by an alternative investment fund manager (AIFM) authorised or registered in accordance with that Directive*

[8] *As referred to in point (g) of Article 2(3) of Directive 2011/61/EU, and, where relevant, its AIFM established in the Union*

defined in EMIR, the MTA amount shall not exceed EUR 500.000 or the equivalent amount in another currency, as defined in Commission Delegated Regulation (EU) 2016/2251. This limitation is not applicable for transactions with NFCs-.

Non-Financial Counterparty (NFC) – means an undertaking established in the Union other than Financial Counterparty.

Notional amount – means notional amount are the reference amount from which contractual payments are determined in derivatives markets. It can also be defined as the value of a derivative's underlying assets at the applicable price at the transaction's start (in the case of options, this is not the premium).

OTC derivative or OTC derivative contract – means a derivative contract the execution of which does not take place on a regulated market or on a third-country market considered as equivalent to a regulated market.

Regulated Market – means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third party buying and selling interests in financial instruments in the system and in accordance with its non-discretionary rules in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with the provisions of Title III of Directive 2014/65/EU.

Trade Repository (TR) – means a legal person that centrally collects and maintains the records of derivatives.

UCITS – means an undertaking for collective investment in transferable securities (UCITS) the sole object of which is the collective investment in transferable securities and/or other liquid financial instruments[9] of capital raised from the public, which operates on the principle of risk-spreading, and the units of which are, at the request of investors, redeemed or repurchased, directly or indirectly, out of this undertaking's assets.

Variation Margin (VM) – means the collateral collected by a Counterparty to reflect the results of the daily marking-to-market or marking-to-model of outstanding contracts referred to in Article 11(2) of Regulation (EU) No 648/2012.

[9] *In accordance with Article 50 (1) of Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS).*

4. General Principles

OTC derivative contracts lack transparency as they are privately negotiated contracts and any information concerning such contracts is usually only available to the contracting parties. Such contracts create a complex web of interdependence which can make it difficult to the parties / competent authorities to identify the nature and level of risks involved.

In order to reduce the systemic, counterparty and operational risk and increase the transparency / stability within global derivatives markets, the European Union (EU) introduced the EMIR.

EMIR defines a new regulatory framework for market participants in derivatives, driving significant change to operational and oversight processes for buy-side and sell-side market counterparties, as well as it targets primarily post-trade processes, introducing extensive reporting requirements and deeply affecting collateral management and clearing processes. Furthermore, it introduces Trade Repositories, while existing Central Counterparties are subject to more stringent organisational and governance requirements.

EMIR has imposed various obligations on both financial and non-financial undertakings (banks, corporates, funds, SPVs, etc.) in connection with the conclusion of both OTC and ETD derivative transactions.

In order to comply with the EMIR regulatory requirements, the Company needs to agree and document the procedures to be followed when entering into OTC transactions in derivative products with its counterparties, as described in this Section.

EMIR Procedures to be agreed

In accordance with the EMIR requirements, the Company before entering into an OTC derivative transaction shall ensure that the following actions / procedures are agreed with its counterparties:

- reporting of every OTC derivative transaction that they are entering to a trade repository;
- implementation of the applicable risk management standards, including operational processes and margining;
- clearing of OTC derivatives contracts (via CCPs) that are subject to EMIR clearing obligations.

The above-mentioned procedures could be agreed via signing of:

- the applicable ISDA documentation; or
- the signing of bilateral agreements between the Company and its counterparties

EMIR Counterparty Classification

EMIR introduced a number of primary categories of market participants, with different requirements applicable to each category. In particular, the following two sets of counterparties were introduced:

- Financial Counterparties (FC)
- Non-Financial Counterparties (NFC)

EMIR also identifies two sub-categories of Non-Financial Counterparties (NFC):

- Non-Financial Counterparty (NFC+) whose rolling average position over 30 working days, exceeds the relevant clearing threshold per asset class, as presented in the table below.

- Non-Financial Counterparties (NFC-) whose rolling average position over 30 working days doesn't exceed the relevant clearing threshold per asset class, as presented in the table below.

Asset Class	Clearing Threshold
OTC credit derivative contracts	EUR 1 billion
OTC equity derivative contracts	EUR 1 billion
OTC interest rate derivative contracts	EUR 3 billion
OTC foreign exchange derivative contracts	EUR 3 billion
OTC commodity derivative contracts and other OTC derivative contracts not specified elsewhere	EUR 3 billion

Declaration of EMIR Counterparty Classification

According to EMIR, the Company being an EU counterparty should obtain representations from its counterparties, including non-EU counterparties, detailing their EMIR classification.

However, the Company is not expected to conduct verifications of the representations provided by its counterparties and may rely on such representations, unless it is in possession of information which clearly demonstrates that those representations are incorrect.

If it is not possible to obtain such representations and assess what the counterparties' status would be under EMIR, the Company shall assume that their status is NFC+ and apply the EMIR requirements accordingly. It is further noted that in case a counterparty's EMIR classification status is changed, the counterparty has the responsibility to inform the Company accordingly.

According to the EMIR regulatory framework, the Company and its counterparties can disclose their classification category, using among others, one of the following options:

- EMIR Registration Letter 2019
- ISDA March 2013 EMIR NFC Representation Protocol (for NFC counterparties)

  (http://www2.isda.org/functional-areas/protocol-management/protocol/11))
- ISDA Amend EMIR Counterparty Classification Tool launched by ISDA

  (http://www.markit.com/product/isda-amend)

5. Reporting Obligations

EMIR requires reporting of the transaction details for both types of derivatives trades – ETD and OTC derivatives.

Specifically, the scope of the financial instruments covered by EMIR are set out in ***Annex I "Financial Instruments in-scope of EMIR"*** of this document.

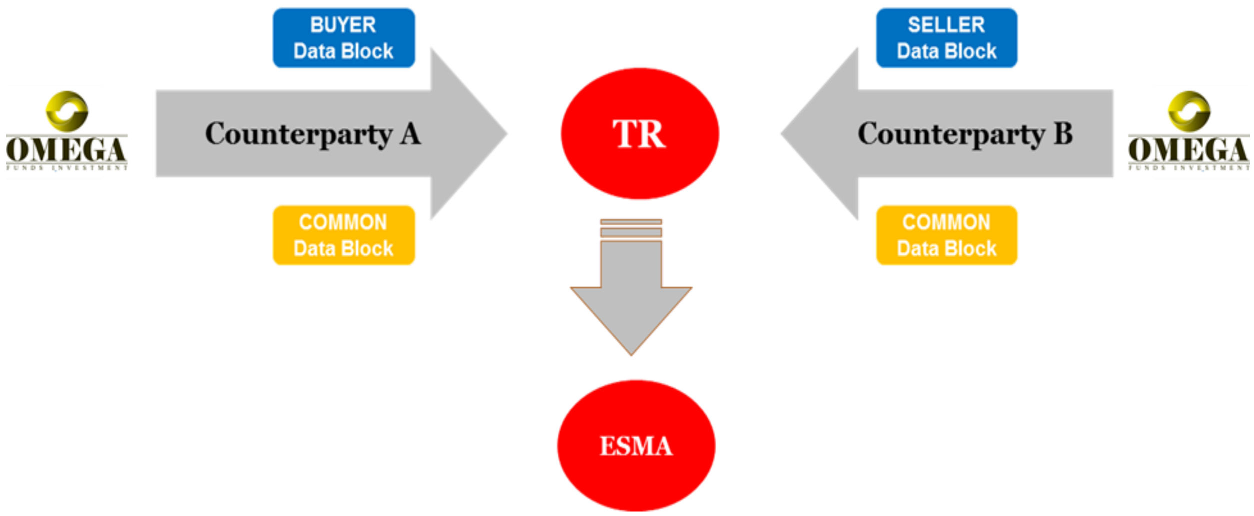
Products outside the scope of EMIR

The following contracts are not subject to EMIR requirements:

- a spot contract within the meaning of Article 10 (2) of Regulation (EU) 2017/565,
- a means of payment that:
  - must be settled physically otherwise than by reason of a default or other termination event;
  - is entered into by at least a person which is not a financial counterparty within the meaning of Article 2(8) of Regulation (EU) No 648/2012 of the European Parliament and of the Council;
  - is entered into in order to facilitate payment for identifiable goods, services or direct investment; and
  - is not traded on a trading venue.

In-scope counterparties and reporting deadlines

FCs and NFCs shall ensure that the details of any derivative contract (OTC or ETD) they have concluded and any modification or termination of the contract are reported to an approved Trade Repository, no later than the working day ("T+1") following the conclusion, modification or termination of the said contracts ("T"). FCs and NFCs must keep a record of any derivative contract they have concluded and any modification for at least five years following the termination of the contract.



Omega Funds Investment Limited uses mainly 'POLARIS Reporting Hub' platform to report its transactions under EMIR obligations. This may include the involvement of any other platforms other than POLARIS Reporting Hub such as TRAIANA HARMONY network of TRAIANA INC, the trade repository operated by UNAVISTA LIMITED, SUNGUARD of GLESIA Srl, the REGIS-TR, DTCC Derivatives Repository Limited and the CME European Trade Repository. Omega Funds Investment Limited has applied for a LEI and its GMEI Code is 5493008DFOLNJ0YC6U22.

The reporting obligation to Trade Repositories applies to counterparties established in the European Union. In the case of contracts between a EU counterparty and a non-EU counterparty, the EU counterparty will need to identify the non-EU counterparty in its report; hence, Omega shall report all its OTC transactions irrespective of whether its counterparty is a legal entity in the EU or natural person or a legal entity established in a third country.

Derivative contracts concluded with NFCs- (applicable from 18 June 2019 onwards)

Following the implementation of the new EMIR rules via the adoption of the "EMIR ReFIT - 2019/834" by the European Commission, the Company shall be solely responsible, and legally liable, for reporting on behalf of both counterparties, the details of OTC derivative contracts concluded with an NFC-, as well as for ensuring the correctness of the details reported. To ensure that the Company has all the data it needs to fulfil the reporting obligation, the NFC- shall provide the Company with the details of the OTC derivative contracts concluded between them, which the Company cannot be reasonably expected to possess, and the NFC- shall be responsible for ensuring that those details are correct.

Notwithstanding the above, NFCs- who have already invested in a reporting system may decide to report the details of their OTC derivative contracts with financial counterparties to a trade repository. In such cases, the NFCs- shall inform the Company of their decision prior to reporting those details and they shall be responsible, and legally liable, for reporting those details and for ensuring their correctness.

Monitoring of reporting

The Company has the responsibility of monitoring and overseeing the process for the development and periodic review of arrangements established in relation to transaction reporting, in order to detect any risk of non-compliance with the EMIR reporting obligations.

In the event of failure of the reporting system, the Company shall take immediate actions to rectify any issues and resubmit the reports in a timely manner, as well as to analyse the causes of failure so as to ensure that it identifies and addresses any risks or issues and reduces failures to the maximum extent possible.

Furthermore, and in order to ensure compliance with the EMIR reporting rules, the Company has appointed an EMIR Reporting Officer, who is responsible for:

- the day-to-day transaction reporting of EMIR;
- the on-going monitoring of any upcoming changes in consultation with the Compliance Department. performing daily reconciliations between the outstanding positions in the Company's records and Trade Repository's records, in an effort to identify and correct possible failures,
- ensuring consistent formats of reports submitted to the Trade Repository, use of compliant identifiers, proper completion of mandatory fields and resubmission of rejected reports within two weeks from the rejection date.

6. Risk Mitigation Techniques

In accordance with EMIR, the Company shall establish, apply and document risk management procedures for non-centrally cleared OTC derivative contracts.

The risk management procedures in relation to the non-centrally cleared OTC derivatives, shall include among others, the following:

- Timely confirmation;
- Portfolio reconciliation;
- Dispute resolution procedures; and
- Portfolio compression.

Timely Confirmation

As mandated by EMIR, the timely confirmation requirement requires all OTC derivative contracts that are concluded between FCs, NFCs+ or, NFCs- that are not cleared centrally by CCPs, to be confirmed, by electronic means (where possible) by both counterparties within specified timeframes, as presented in the table below.

Counterparty	Derivative	Confirmation regulatory deadlines	Internal confirmation deadline target
FC or NFC+	Credit Default Swaps and Interest Rate Swaps	T+1	T+1
	Equity Swaps, FX Swaps, Commodity Swaps and all other derivatives	T+1	T+1
NFC-	Credit default swaps and Interest Rate Swaps	T+2	T+1
	Equity Swaps, FX Swaps, Commodity Swaps and all other derivatives	T+2	T+1

The timely confirmation of OTC derivative contracts applies wherever a new derivative transaction is concluded, including novation and portfolio compression of previously concluded OTC contracts.

To achieve the regulatory deadlines, and depending on the agreements with its counterparties, the Company must ensure it has sufficient time to review the required confirmations and return them within the regulatory timeframes.

The Company must apply the highest possible standard for timely confirmations for all counterparties (whether based inside or outside the EEA) that are classified as FCs and / or NFCs+, unless the Company has received a written confirmation from the counterparty that it is an NFC-, where less stricter timelines are applied.

Where a counterparty has provided the Company with a written notification that it is an NFC- and later confirms in writing that it is an NFC+, such counterparty should be treated as an NFC+ with immediate effect.

The requirement does not apply to terminated transactions provided that the termination removes all residual obligations in respect of that transaction.

Trades concluded after 16:00 local time

A trade that is concluded after 16:00 local time or where a counterparty is located in a different time zone which does not allow timely confirmation request to be confirmed within the prescribed regulatory deadlines, will be confirmed as soon as possible and, at the latest, one business day following the EMIR regulatory deadlines (see table above).

Definition of a break and actions for breaks

An OTC derivative contract concluded between FCs and / or NFCs which is not centrally cleared by a CCP, would be in break if it is not confirmed via available electronic means, as soon as possible and not later than the relevant EMIR timely confirmations deadlines.

EMIR Regulatory Reporting of the unconfirmed trades

All OTC derivative transactions in break of the timely confirmation deadlines should be easily identifiable and recorded on a daily basis, in a manner reportable to the CySEC, the local regulator responsible for EMIR.

The Company must be in a position to report to CySEC on a monthly basis all trades that have remained unconfirmed for more than five (5) business days[10].

Portfolio Reconciliation

The Company shall agree in writing or other equivalent electronic means with its counterparties on the arrangements under which portfolios will be reconciled. Such agreements must be reached before the Company enters into an OTC derivative transaction.

Portfolio reconciliation is not a replacement for the confirmation process. Whereas, the confirmation process delivers a detailed view of transaction terms at one point in time, portfolio reconciliation aims to monitor the full population of transactions for breaks, amendments, business and trade events, novations, booking errors and valuation model mismatches, over the life of the portfolio.

Portfolio reconciliation must cover key trade terms, that identify each particular OTC derivative transaction and must include at least the valuation attributed to each contract arising from the requirement to mark-to-market (or mark-to-model where applicable).

Key terms (Portfolio reconciliation data)

The key terms (portfolio reconciliation data) that identify each particular derivative transaction and need to be acknowledged while portfolios are reconciled, are specified below:

- the valuation attributed to each contract:
    - MTM valuation;
    - Legal Entity Name (leading to MTM valuation break);

[10] *According to ESMA's response, it is clarified that the monthly report of unconfirmed trades does not need to be provided to the competent authorities that have not asked to receive it. However, all entities should ensure that these reports are available and provided to the competent authorities upon request.*

- Unmatched Trades details (leading to MTM valuation break);

- the effective date;
- the scheduled maturity date;
- any payment or settlement dates;
- the notional value of the contract;
- currency of the transaction;
- the underlying instrument;
- the position of the counterparties;
- the business day convention;
- any relevant fixed or floating rates of the OTC derivative transaction;
- any other relevant details to identify each particular OTC derivative contract.

Based on the industry agreed Minimum Market Standards (MMS), the "other relevant details to identify each particular OTC derivative contract" presented below appear to be the most useful minimum set of fields that should be used for this purpose:

- Trade ID;
- Legal Entity Name;
- Counterparty Legal Entity Name;
- Current Notional / Quantity;
- Trade Currency;
- Trade date;
- End Date;
- MTM;
- MTM Currency;
- MTM Date;
- Buy / Sell indicator.

EMIR lays down the minimum frequencies at which the counterparties should reconcile their portfolios.

The frequency of portfolio reconciliation depends on the counterparty's categorisation (i.e. FC, NFC+ or NFC-) as well as on the number of outstanding contracts between the counterparties as presented in the table below:

Counterparty Categorisation	Number of OTC derivative contracts outstanding on any given business day	Portfolio reconciliation frequency
FC or NFC+	500 or >500	Each business day
	51-499 (anytime during the week)	Once per week
	50 or <50 (anytime during the quarter)	One per quarter
NFC-	>100 (anytime during the quarter)	Once per quarter
	100 or <100 (on any given business day)	Once per year

The frequency of the portfolio reconciliation requirements should be reassessed at each Portfolio Reconciliation Date, as the type of the counterparty and the number of outstanding contracts between them may change at any point in time and thus modify the frequency of the portfolio reconciliation requirement.

<u>Portfolio reconciliation methods and process</u>

EMIR requires counterparties to agree in writing arrangements for reconciling portfolios before entering into OTC derivative contracts. In this respect, the ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol has been developed by ISDA, in order to facilitate the portfolio reconciliation process among counterparties.

In particular, the ISDA 2013 Protocol suggests two alternate methods of reconciliation:

- "Exchange of Portfolio Data" and
- "One-Way Delivery of Portfolio Data"

Each entity that adheres to the ISDA 2013 Protocol elects, in its Adherence Letter, shall state whether it is a Portfolio Data Sending Entity or a Portfolio Data Receiving Entity. Upon its adherence to the ISDA 2013 Protocol, each party can change its elected status with one or more of its counterparties via a written agreement. The two portfolio reconciliation methods mentioned above mainly differ in the responsibilities of the counterparties. In particular, under the "Exchange of Portfolio Data" method both counterparties could initiate the reconciliation procedure, whereas under the "One-Way Delivery of Portfolio Data" method only one counterparty can do this.

Where both counterparties to the agreement (either ISDA Master Agreement or bilateral agreement) are assigned as Portfolio Data Sending Entities, the Exchange of Portfolio Data method applies.

Where one counterparty to the agreement (either ISDA Master Agreement or bilateral agreement) is assigned as a Portfolio Data Sending Entity and the other as a Portfolio Data Receiving Entity, the One-way Delivery of Portfolio Data method applies.

Where both parties to the agreement (either ISDA Master Agreement or bilateral agreement) are assigned as Portfolio Data Receiving Entities, the parties will either have to agree that one or both of them become a

Portfolio Data Sending Entity, otherwise they should bilaterally agree an alternative portfolio reconciliation method.

Exchange of Portfolio Data method

Under "Exchange of Portfolio Data" method, both counterparties (each, a Portfolio Data Sending Entity) exchange a data set comprising the key terms of the relevant transactions between them (the "Portfolio Data"), and compare the Portfolio Data received against their own records (on a solo basis).

If, as a result of this comparison, a party identifies a discrepancy in the data and the said party considers this discrepancy as material (i.e. below the reconciliation tolerances bilaterally agreed between the counterparties), the counterparty 1 notifies its counterparty 2 of the discrepancy.

Subsequently, the parties consult with each other in an effort to resolve the identified discrepancy in a timely manner.

One-Way Delivery of Portfolio Data

Under "One-Way Delivery of Portfolio Data", the Portfolio Data Sending Entity sends the Portfolio Data to the other counterparty (the Portfolio Data Receiving Entity), which compares the Portfolio Data against its own records. If the Portfolio Data Receiving Entity identifies a discrepancy in the data, which such counterparty considers as material (i.e. below the reconciliation tolerances bilaterally agreed between the counterparties), it notifies its counterparty (i.e. the Portfolio Data Sending Entity) of the discrepancy and the counterparties then consult with each other in an effort to resolve the identified discrepancy in a timely manner.

If the Portfolio Data Receiving Entity does not identify a discrepancy to the Portfolio Data Sending Entity within five business days, the Portfolio Data is deemed to have been affirmed ("negative affirmation"). However, this does not prevent a counterparty from identifying a discrepancy at a later date or disputing a valuation.

Portfolio reconciliation tolerances

Acceptable tolerance levels for mark-to-market (MTM) differences and for other potential booking differences will be agreed internally, and may be amended from time to time.

Wherever bilateral reconciliations are performed, the Company and its counterparties will need to internally mutually agree acceptable tolerance levels for mark-to-market differences, as well as for other potential booking differences which they judge that have no real economic effect (e.g. differences in trade representation, tolerances in trade dates such as trade date, effective date, termination dates and adjustments for non-business days, etc).

Portfolio reconciliation results

Suitable timeframes regarding portfolio reconciliation results will be bilaterally agreed between the Company and its counterparties. Portfolio reconciliation results, including all breaks, will be shared as soon as reasonably practicable and counterparties will consult each other in an attempt to resolve identified discrepancies in a timely manner.

In general, the Portfolio Data is expected to be exchanged between the Company and its counterparties on the same day the reconciliation is performed.

Break management

The Company will act reasonably and in good faith when identifying, investigating and resolving material trade discrepancies. Break investigation and resolution will typically occur within five business days of the portfolio reconciliation date. Focus will be on identifying and addressing the three main categories of breaks:

- Mark-to-Market (MTM) Valuation differences
- Differences in Economic terms / Trade booking
- Unmatched Transactions

Suitable timeframes will be agreed with counterparties to request break investigation and a course of action will be agreed with the counterparties to resolve breaks. The Company establishes procedures in place in order to monitor, manage and report outstanding discrepancies. Throughout the process, the Company will be kept informed regarding the progress of the break resolution.

Break resolution will be supported by providing documentation, confirmations or information requested in a timely manner and no later than one business day following a request by the Company or its counterparty relating to a trade under investigation.

Company's status in portfolio reconciliation with counterparties

The Company has adhered to the ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol as a **Portfolio Data Receiving Entity**[11], therefore the "One way Delivery Method" shall be followed, unless otherwise agreed between the Company and its counterparties.

Portfolio Compression

Portfolio compression is one of the EMIR risk mitigation requirements, which was entered into force on 15th September 2013. According to this requirement, FCs and NFCs 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.

Portfolio compression involves counterparties netting trades to maintain the same risk profile by reducing the number of contracts and therefore the gross notional value.

Currently, the Company's volume of contracts with its counterparties do not warrant a portfolio compression exercise to be carried out. The Company shall ensure that it is able to provide a reasonable and valid explanation to CySEC for concluding that a portfolio compression exercise is not appropriate.

[11] https://www.isda.org/protocol-adherence/45760/

Dispute Identification and Resolution Procedure

As mandated by EMIR, the Company is required to have agreed processes and procedures in place for the identification, recording, monitoring and resolution of disputes. As at 15th September 2013, these agreed processes and procedures need to be in place before entering into OTC derivative contracts with the counterparty. Those procedures shall at least record the length of time for which the dispute remains outstanding, the counterparty and the amount which is disputed.

According to the provisions of Article 15 of the Commission Delegated Regulation (EU) No 149/2013, all disputes outstanding during the month specified in the form relating to the recognition of an OTC derivative contract, its valuation or the exchange of collateral for an amount or a value higher than EUR 15 million and outstanding for at least 15 business days, should be reported by the Company to CySEC, even if they have been resolved at the time of notification. This includes disputes which are still outstanding from previous months or were outstanding from a previous month but were resolved in the month specified in the current report.

In view of the above, the Company needs to have to agree and establish dispute resolution processes and procedures with its counterparties before entering into OTC derivative contracts with them. The Company must also have in place the operational capability to identify, record, monitor and resolve disputes in a timely manner specified in the agreements with these counterparties, specifying the process for those disputes that are not resolved within five business days.

Dispute resolution processes contained in bilateral agreements between the Company and its counterparties should, in the first instance, allow the collection of at least the undisputed amount in case the amount of a margin call is disputed. This will mitigate the risk arising from the disputed transactions and therefore ensure that non-centrally cleared OTC derivative transactions are collateralised to the extent possible.

Types of Disputes

Disputes can arise for the Company in relation to differences on OTC derivative contracts (trade level) or in relation to the exchange of collateral (portfolio level). Typically, disputes will arise from a failure to resolve identified discrepancies above tolerance. Examples include amongst other:

- Differences in MTM valuation;
- Differences in key trade terms;
- Differences in collateral calculations;
- Differences in collateral price and assumptions.

Tolerance level

A tolerance level should be set and agreed between the Company and its counterparties.

7. Collateral Valuation and Management

According to the EMIR Regulation 2016/2251, the Company shall establish, apply and document risk management procedures for the exchange of collateral for non-centrally cleared OTC derivative contracts.

Such risk management procedures shall include among others, the following:

- The eligibility of collateral;
- The calculation and collection of margins;
- The management and segregation of collateral;
- The calculation of the adjusted value of collateral;
- The exchange of information between counterparties and the authorisation and recording of any exceptions;
- The reporting of exceptions to senior management;
- The terms of all necessary agreements to be entered into by counterparties, including the terms of the netting agreement and the terms of the exchange of collateral agreement;
- The periodic verification of the liquidity of the collateral to be exchanged;
- The timely re-appropriation of the collateral in the event of default by the posting counterparty from the collecting counterparty.

Currently, there are two types of collateral that are currently used by counterparties for properly managing the risks to which those counterparties are exposed when entering into OTC derivative transactions:

- **Variation Margin (VM)** – protects counterparties against exposures related to the current market value of their OTC derivative contracts.
- **Initial Margin (IM)** – protects counterparties against potential losses which could stem from movements in the market value of the derivatives position occurring between the last exchange of variation margin before the default of a counterparty and the time that the OTC derivative contracts are replaced or the corresponding risk is hedged.

Note: Given the Company's current business model as well as the volume of its OTC derivative trades, IM requirements do not currently apply.

In-scope entities

According to the provisions of Article 11(3) of EMIR, FCs and NFCs above the clearing threshold (NFCs+) are required to have risk management procedures in place that require the timely, accurate and appropriately segregated exchange of collateral with respect to OTC derivative contracts.

In view of the above, and according to the provisions of Commission Delegated Regulation 2016/2251, the margin obligations will be directly applicable to FCs, NFCs+ as well as TCEs which would be classified as FCs or NFCs+ if they were established in the Union.

Non-financial counterparties and counterparties from the third countries jurisdictions

According to Commission Delegated Regulation 2016/2251, NFCs below the clearing threshold (NFCs-) as well as TCEs which would be classified as NFCs- if they were established in the EU, are not required to exchange any collateral in relation to the non-centrally cleared OTC derivative contracts entered into with their counterparties, where any of the following conditions apply:

- the legal review confirms that the netting agreement and, where used, the exchange of collateral agreement cannot be legally enforced with certainty at all times;
- the legal review confirms that the segregation requirements referred to in Commission Delegated Regulation 2016/2251 cannot be met.

Instead, counterparties established in the Union shall collect margin on a gross basis.

In view of the above, the Company should take into account the different risk profiles of the NFCs- with which it enters into OTC derivative contracts and assess, whether or not, exchange of collateral would take.

Threshold based on notional amount

The Company is not obliged to collect IMs in respect to its new OTC derivative contracts entered into within a calendar year, where the Company or its counterparty has an Aggregate Average Notional Amount (AANA) of non-centrally cleared OTC derivatives for the months March, April and May of the preceding year is below the €8 billion threshold.

It is stressed though that, since March 2018, VM needs to be exchanged between the Company and its FC/NFC+ counterparty, irrespective of the counterparties' AANA level.

Calculation of Company's AANA

In order for the Company to define the applicability of the IM requirements on its business model, the AANA shall be calculated as the average of the total gross notional amount that meets both of the following conditions:

- that are recorded on the last business day of March, April and May of the year referred to in each of the points below; and
- it includes all the non-centrally cleared OTC derivative contracts.

Eligibility of collateral

In accordance with the provisions of Commission Delegated Regulation 2016/2251, the Company shall only collect collateral from specific asset classes. The list of eligible collateral is presented in the ***Annex II "Eligible Collateral"*** of this document.

It is noteworthy that, the Company is not allowed to use asset classes included in the ***Annex II "Eligible Collateral"*** as eligible collateral where it has no access to the market for those assets or where it is unable to liquidate those assets in a timely manner in case of default of the posting counterparty.

Minimum Transfer amount (MTA)

The Company may choose that no VM collateral is collected from a counterparty where the amount due from the last collection of collateral is equal to or lower than the amount agreed by both parties ('Minimum Transfer Amount') – the maximum level of the MTA that Omega can agree with each of its counterparties shall not exceed the threshold of €500.000 or the equivalent amount in another currency. In case where the MTA set in the bilateral agreement is different from the regulatory threshold of €500.000, the lower MTA shall apply.

Where the Company agrees with its counterparties on a MTA, the amount of collateral due shall be calculated as the sum of:

- the Variation Margin due from its last collection calculated in accordance with Commission Delegated Regulation 2016/2251;
- the Initial Margin due from its last collection calculated in accordance with Commission Delegated Regulation 2016/2251 (if exchanged).

Where the amount of collateral due exceeds the MTA agreed between the Company and its counterparties, the collecting party shall collect the full amount of collateral due without deduction of the MTA.

Margin calculation with Third-Country Entities

Where a party is domiciled in a third country, the Company and its TCE may calculate margins on the basis of a netting set that includes the following types of contracts:

- non-centrally cleared OTC derivatives subject to margin requirements under Commission Delegated Regulation 2016/2251;
- contracts that meet both of the following conditions:
    - they are identified as non-centrally cleared OTC derivatives by the regulatory regime applicable to the counterparty domiciled in the third country; and
    - they are subject to margin rules in the regulatory regime applicable to the counterparty domiciled in the third country.

Variation Margin (VM)

The amount of VM to be collected by the Company shall be the aggregation of the values of all contracts in the netting set, minus the value of all VM previously collected by the Company, minus the net value of each contract in the netting set at the point of entry into the contract, and plus the value of all variation margin previously posted.

In cases where the Company is the posting counterparty, VM shall be provided within the same business day of the calculation date.

Frequency of calculation and determination of the calculation date

Omega shall calculate Variation Margin at least on a daily basis.

For the purpose of determining the calculation date for Variation Margin, the following shall apply:

(a) where the Company and its counterparty are located in the same time-zone, the calculation shall be based on the netting set of the previous business day;

(b) where the Company and its counterparty are not located in the same time-zone, the calculation shall be based on the transactions in the netting set which are entered into before 16.00 of the previous business day of the time zone where it is first 16.00.

8. Clearing Obligations

EMIR identifies that a clearing obligation applies to FCs+ and NFCs+ that exceed the clearing thresholds[12], whereas NFCs that do not exceed the clearing threshold (NFCs-) are not obliged to centrally clear their OTC derivative contracts through an authorised/ recognised CCP.

In particular, clearing obligation applies to an in-scope OTC derivative that is entered into between any combination of FC+ and NFC+ parties (see below), given that one or more of the parties involved in the OTC derivative transaction is established in the EEA:

- Two FCs+;
- A FC+ and a NFC which exceeds the clearing thresholds (NFC+);
- Two NFCs+;
- A FC+ or NFC+ and a non-EEA entity that would be subject to the clearing obligation if it would be established in the EEA.

Products in scope of clearing obligation

The classes of OTC derivatives that are currently subject to the clearing obligation are listed in the ESMA Public Register for Clearing Obligation[13], as well as in ***Annex III "OTC Derivatives subject to clearing obligation"*** of this document.

Exemptions from the Clearing Obligation

EMIR provides certain limited exemptions to the clearing obligation. In particular, the following OTC transactions are exempted:

- Intra-group transactions;
- Derivative contracts that are concluded with covered bond issuers or with cover pools for covered bonds, subject to certain criteria;
- Pension funds (temporarily exempted).

[12] *Clearing thresholds:*
- *Credit derivatives:* ***€1 bn***
- *Equity derivatives:* ***€1 bn***
- *Interest rate derivatives:* ***€3 bn***
- *Foreign exchange derivatives:* ***€3 bn***
- *Commodity and other OTC derivatives not set out above:* ***€3 bn***

[13] https://www.esma.europa.eu/sites/default/files/library/public_register_for_the_clearing_obligation_under_emir.pdf

Extra-territorial scope of clearing obligation

EMIR clearing obligation also applies to contracts between any combination of FCs+ and NFCs+, where neither counterparty is in the EEA, albeit in very limited circumstances (i.e. where either the relevant OTC derivative contract has a "direct, substantial and foreseeable" effect within the EEA or imposing the clearing obligation is necessary or appropriate to prevent the evasion of any provision of EMIR).

Classification of FCs +/- and NFCs +/-

According to the provisions of the EMIR ReFIT - 2019/834, the Company shall compute by asset class its aggregate month-end average position in derivatives contracts by 17 June 2019 for the previous 12 months, and every 12 months thereafter, as per the methodology described in ***Annex IV "Calculation method of clearing status"*** of this document.

In case where the Company does not calculate its positions, or where the result of that calculation exceeds any of the clearing thresholds[14], the Company shall be considered as a FC above clearing thresholds (FC+) and shall:

- immediately notify ESMA and the relevant competent authority thereof, and, where relevant, indicate the period used for the calculation;
- establish clearing arrangements within four months after the notification referred above; and
- become subject to the clearing obligation for all OTC derivative contracts pertaining to any class of OTC derivatives which is subject to the clearing obligation entered into or novated more than four months following the notification referred above.

[14] *Clearing thresholds:*
- *Credit derivatives:* ***€1 bn***
- *Equity derivatives:* ***€1 bn***
- *Interest rate derivatives:* ***€3 bn***
- *Foreign exchange derivatives:* ***€3 bn***
- *Commodity and other OTC derivatives not set out above:* ***€3 bn***

Notification to ESMA (European Securities and Markets Authority) and to NCA (National Competent Authority)

- By 17th June 2019, the Company should have computed its aggregate month-end average position in derivatives contracts.
- In case the exposure is below the thresholds, no notification is required.
- The Company should conduct the above mentioned calculation every 12 months. From that point on also, the Company does not need to notify ESMA as well as CySEC when the results of that calculation do not change, i.e. the Company does not start to exceed or does not cease to exceed the clearing thresholds.
- In case where the Company notifies ESMA as well as CySEC that it is above the clearing thresholds or that it has not calculated its positions against the clearing thresholds, it will become subject to the clearing obligation and will have to start clearing OTC derivative contracts (pertaining to a class of OTC derivatives which is subject to the clearing obligation as per ESMA Public Register[15]) entered into or novated more than 4 months following such notification.
- In case where the Company did not notify ESMA as well as CySEC on the 17th of June 2019 because it was below the clearing thresholds, but chooses 12 months later or going forward not to calculate, it should notify ESMA and CySEC as this would constitute a change of its status, i.e. from FC- to FC+.

Categorisation and declaration of EMIR clearing classification

According to EMIR, and in order to ensure that the appropriate treatment to eligible OTC derivative transactions is applied and that appropriate documentation is in place, the Company define and communicate to each of its counterparties in advance its clearing category – such information shall be also obtained from each counterparty.

The declaration of a counterparty's Clearing Category can be made through the following two options:

- ISDA Amend – via a single online tool (http://www.markit.com/product/isda-amend).
- ISDA Categorisation Letter – counterparties can declare their EMIR Clearing classification through the completion of an ISDA Categorisation Letter.

The Company's counterparties shall confirm their clearing categorisation through the Company's ***"EMIR Registration Letter 2019".***

In case a counterparty's clearing category is changed, the counterparty has the responsibility to inform the Company accordingly, by providing an updated version of ***"EMIR Registration Letter 2019".***

15 *https://www.esma.europa.eu/sites/default/files/library/public_register_for_the_clearing_obligation_under_emir.pdf*.

9. ISDA Documentation

According to the provisions of the Commission Delegated Regulation (EU) 2016/2251, where the Company enters into a derivative transaction, such parties must agree the terms of all necessary agreements, at the latest, at the moment in which a non-centrally cleared OTC derivative contract is concluded.

All aspects concerning the obligations arising from the conclusion of any non-centrally cleared OTC derivative contract shall be included in the terms of the agreements.

Such information shall include at least the following:

- any payment obligations arising between the involved parties;
- the conditions for netting payment obligations;
- the events of default or other termination events of the non-centrally cleared OTC derivative contracts;
- the calculation methods used in relation to payment obligations;
- the conditions for netting payment obligations upon termination;
- the transfer of rights and obligations upon termination;
- the governing law of the transactions of the non-centrally cleared OTC derivative contracts.

Where the Company enters into a netting or an exchange of collateral agreement, it shall perform an independent legal review of the enforceability of those agreements. Such review may be conducted by the Company or by an independent third party, as deemed appropriate.

ISDA Master Agreement

The ISDA Master Agreement is an internationally agreed document published by the International Swaps and Derivatives Association, Inc. (ISDA) which is used to provide certain legal and credit protection for counterparties who entered into OTC derivative transactions.

The ISDA Master Agreement is an umbrella agreement which sets out the overarching terms between the parties who want to trade OTC derivatives. Currently, there are mainly two versions which are commonly used by market participants:

- the 1992 ISDA Master Agreement; and
- the 2002 ISDA Master Agreement

In addition to the standard ISDA Master Agreement text, there is a Schedule (attached to ISDA Master Agreement) which allows parties to add to or amend the standard terms, make certain choices, amend provisions contained in the agreement as well as include any appropriate additional provisions.

Once the ISDA Master Agreement is signed, then only the economic terms of the transaction need to be negotiated and documented each time a transaction is concluded.

ISDA Credit Support Annex

In addition to the ISDA Master Agreement, the exchange of collateral agreements (i.e. Credit Support Documentation) shall be also signed by the Company and its counterparties when entering into OTC derivative transactions.

According to the provisions of Commission Delegated Regulation 2016/2251, any exchange of collateral agreements (e.g. 2016 Credit Support Annex for Variation Margin, Credit Support Annex, Credit Support Deed), shall include at least the following information:

- the levels and type of collateral required;
- the segregation arrangements;
- the netting set to which the exchange of collateral refers;
- the procedures for notification, confirmation and adjustment of margin calls;
- the procedures for settlement of margin calls for each type of eligible collateral;
- the procedures, methods, timeframes and allocation of responsibilities for the calculation of margins and the valuation of collateral;
- the events that are considered to be default or termination events;
- the law applicable to the non-centrally cleared OTC derivative contract;
- the law applicable to the exchange of collateral agreement.

It is noted that the Company uses the ISDA 2002 Credit Support Annex (CSA) as its standard form. In case the counterparty provides its own ISDA documentation, it shall be reviewed by the Company so as to ensure that the terms specified above are covered by the counterparty's agreement.

It is further noted that the CSA for Variation Margins may not be signed when the internal risk procedures described in **Section 7 *"Collateral Management and Valuation"*** of this document do not require the exchange of collateral between the two counterparties.

10. Periodic Review / Update of the Policy

The Company acknowledges its responsibility to establish, implement and maintain an effective written Policy for EMIR provisions.

The Company's Policy is assessed and periodically reviewed, at least on an annual basis, or more frequently, should the need arise. The following circumstances can trigger the review process on a more frequent basis:

- Change in the service and / or product mix of the Company;
- Identification of situations that are not adequately captured in the EMIR Policy; or
- The applicable legislation requires the update of the Policy.

The Compliance Department will use all reasonable endeavors to ensure that the Policy remains up-to-date and appropriate to the structure and size of the Company as well as the nature, scale and complexity of the Company's activities.

Any amendments to, or the abolition of, this Policy shall be approved by the Board of Directors, following recommendation by the Compliance Department.

11. List of Annexes

Annex I: Financial instruments in-scope of EMIR

Annex II: Eligible collateral

Annex III: OTC Derivatives subject to clearing obligation

Annex IV: Calculation method of clearing status

Annex I: Financial instruments in-scope of EMIR

EMIR requires reporting of the transaction details for both types of derivatives trades – Exchange Traded Derivatives (ETD) and OTC derivatives.

Specifically, the scope of the financial instruments covered by EMIR are set out in Annex I, Section C, points (4) to (10) of Directive 2014/65/EU and presented below:

4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled, provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences;
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.

Annex II: Eligible collateral

The Company shall only collect collateral from the following asset classes:

a. cash in the form of money credited to an account in any currency, or similar claims for the repayment of money, such as money market deposits;

b. gold in the form of allocated pure gold bullion of recognised good delivery;

c. debt securities issued by Member States' central governments or central banks;

d. debt securities issued by Member States' regional governments or local authorities whose exposures are treated as exposures to the central government of that Member State in accordance with Article 115(2) of Regulation (EU) No 575/2013;

e. debt securities issued by Member States' public sector entities whose exposures are treated as exposures to the central government, regional government or local authority of that Member State in accordance with Article 116(4) of Regulation (EU) No 575/2013;

f. debt securities issued by Member States' regional governments or local authorities other than those referred to in point (d);

g. debt securities issued by Member States' public sector entities other than those referred to in point (e);

h. debt securities issued by multilateral development banks listed in Article 117(2) of Regulation (EU) No 575/2013;

i. debt securities issued by the international organisations listed in Article 118 of Regulation (EU) No 575/2013;

j. debt securities issued by third countries' governments or central banks;

k. debt securities issued by third countries' regional governments or

l. debt securities issued by third countries' regional governments or local authorities other than those referred to in points (d) and (e);

m. debt securities issued by credit institutions or investment firms including bonds referred to in Article 52(4) of Directive 2009/65/EC of the European Parliament and of the Council;

n. corporate bonds;

o. the most senior tranche of a securitisation, as defined in Article 4(61) of Regulation (EU) No 575/2013, that is not a re- securitisation as defined in Article 4(63) of that Regulation;

p. convertible bonds, provided that they can be converted only into equities which are included in an index specified pursuant to point (a) of Article 197 (8) of Regulation (EU) No 575/2013;

q. equities included in an index specified pursuant to point (a) of Article 197(8) of Regulation (EU) No 575/2013;

r. shares or units in undertakings for collective investments in transferable securities (UCITS), provided that the conditions set out in Article 5 are met.

The Company shall only collect collateral from the asset classes referred to in points (f), (g) and (k) to (r) of the above paragraph where all the following conditions apply:

a. the assets are not issued by the posting counterparty;

b. the assets are not issued by entities which are part of the group to which the posting counterparty belongs;

c. the assets are not otherwise subject to any significant wrong way risk, as defined in points (a) and (b) of paragraph 1 of Article 291 of Regulation (EU) No 575/2013.

Annex III: OTC Derivatives subject to clearing obligation

OTC interest rate derivatives – G4 currencies

The asset classes of OTC derivatives listed below are subject to the clearing obligation:

Basis swaps classes

ID	Reference Index	Settlement Currency	Maturity	Settlement Currency Type	Optionality	Notional Type
A.1.1	EURIBOR	EUR	28D-50Y	Single currency	No	Constant or Variable
A.1.2	LIBOR	GPB	28D-50Y	Single currency	No	Constant or Variable
A.1.3	LIBOR	JPY	28D-30Y	Single currency	No	Constant or Variable
A.1.4	LIBOR	USD	28D-50Y	Single currency	No	Constant or Variable

Fixed-to-Float interest rate swap classes

ID	Reference Index	Settlement Currency	Maturity	Settlement Currency Type	Optionality	Notional Type
A.2.1	EURIBOR	EUR	28D-50Y	Single currency	No	Constant or Variable
A.2.2	LIBOR	GPB	28D-50Y	Single currency	No	Constant or Variable
A.2.3	LIBOR	JPY	28D-30Y	Single currency	No	Constant or Variable
A.2.4	LIBOR	USD	28D-50Y	Single currency	No	Constant or Variable
C.1.1	NIBOR	NOK	28D-10Y	Single currency	No	Constant or Variable
C.1.2	WIBOR	PLN	28D-10Y	Single currency	No	Constant or Variable
C.1.3	STIBOR	SEK	28D-15Y	Single currency	No	Constant or Variable

Forward Rate Agreement classes

ID	Reference Index	Settlement Currency	Maturity	Settlement Currency Type	Optionality	Notional Type
A.3.1	EURIBOR	EUR	3D-3Y	Single currency	No	Constant or Variable
A.3.2	LIBOR	GPB	3D-3Y	Single currency	No	Constant or Variable
A.3.3	LIBOR	USD	3D-3Y	Single currency	No	Constant or Variable
C.2.1	NIBOR	NOK	3D-2Y	Single currency	No	Constant or Variable
C.2.2	WIBOR	PLN	3D-2Y	Single currency	No	Constant or Variable
C.2.3	STIBOR	SEK	3D-3Y	Single currency	No	Constant or Variable

Overnight Index Swap classes

ID	Reference Index	Settlement Currency	Maturity	Settlement Currency Type	Optionality	Notional Type
A.4.1	EONIA	EUR	7D-3Y	Single currency	No	Constant or Variable
A.4.2	FedFunds	USD	7D-3Y	Single currency	No	Constant or Variable
A.4.3	SONIA	GPB	7D-3Y	Single currency	No	Constant or Variable

OTC Index credit default swap derivatives – G4 currencies

The asset classes of OTC derivatives listed below are subject to the clearing obligation:

European untranched Index CDS Classes

ID	Sub-type	Geographical zone	Reference index	Settlement Currency	Series	Tenor
B.1.1	Untranched Index	Europe	i-Traxx Europe Main	EUR	17 onwards	5Y
B.1.2	Untranched Index	Europe	i-Traxx Europe Crossover	EUR	17 onwards	5Y

Annex IV: Calculation method of clearing status

In order to determine whether the Company is above or below the clearing thresholds, the Company is required to perform the calculation of its aggregate month-end average position in OTC derivatives for the previous 12 months. To do this, the Company needs to:

- Determine its total position for each OTC derivative asset class on the last day of each of the previous 12 months, in line with the provisions of Article 4a(3) of EMIR;
- For each month-end position, calculate the aggregate amount of each OTC derivative asset-class, in line with the provisions of Article 4a(3) of EMIR;
- Calculate the average of the total amount across the 12 months by dividing that number by 12 for each asset class; and
- Compare the outcome for each asset class against the relevant clearing threshold, in an effort to determine whether the amount exceeds the relevant clearing threshold of the respective asset classes.