

Eurepo Code of Conduct

EUREPO is the new repo market reference rate for the euro sponsored by EURIBOR EBF with the support of the European Repo Council (ERC). This Code lays down the rules applicable to EUREPO and the banks that will quote for the establishment of EUREPO

ARTICLE 1 DEFINITIONS

For the purpose hereof,

A repurchase agreement (repo) is a collateralized lending transaction, where one party agrees to sell securities (e.g. bunds) to another party, against a transfer of funds. At the same time the two parties agree to repurchase the same securities, at a specific price in the future.

General Collateral (GC) repos are regular repo transactions where the buyer does not specify the particular security that he/she wants to buy. The seller has the right to nominate the security that will be delivered in order to collateralise the loan, and will typically nominate a security that does not have any specific value in the repo market.

EUREPO GC means the securities denominated in euro that are referred to in Enclosure 1 [Link to Eurepo GC basket page] of this Code of Conduct.

EUREPO is the rate at which, at 11.00 a.m. Brussels time, one prime bank offers, in the euro-zone and worldwide, funds in euro to another prime bank if in exchange the former receives from the latter the best collateral in terms of rating and liquidity within the Euro GC basket. It is quoted on a actual / 360 day basis.

ARTICLE 2 CRITERIA TO QUALIFY FOR AND STAY ON THE EUREPO PANEL

1. Banks can qualify for the panel (hereafter "panel banks") if they are active players in the euro repo markets in the euro-zone or worldwide and if they are able to handle good volumes in euro repo rate related instruments, even in turbulent market conditions. Figures on banks' repo transaction volumes may support the decisions of the Steering Committee, as defined in Article 8, on applications of banks to join the panel and on the removal of banks from the panel. For this purpose, only consolidated figures are accepted; moreover, internal operations within non-consolidated networks will be excluded if market conditions are not applied to such operations.

2. Panel banks must be banks of first class credit standing, high ethical standards and enjoying an excellent reputation.

3. Banks wishing to apply for a seat on the panel must disclose all relevant information. As a matter of convenience, the applicants could turn in the figures notified to the national central banks or the European Central Bank, if any.

4. The information mentioned above will be treated by the Steering Committee, as defined in Article 8, on a strictly confidential basis.

ARTICLE 3 NUMBER OF PANEL BANKS

The number of panel banks will be both high enough to reflect faithfully the geographic diversity of the repo market in the euro-zone and worldwide and low enough to ensure an efficient manageable panel consisting of prime banks only.

ARTICLE 4 START-UP PANEL OF BANKS

The start-up panel of banks chosen in conformity with Article 2 is to be found in Enclosure 2 of this Code of Conduct. Banks belonging to the same group can only provide a single quote. The Steering Committee will ensure the strict application of this rule.

ARTICLE 5 REVIEW OF THE PANEL

The list of the panel banks will be periodically reviewed by the Steering Committee to ensure that the selected panel always truly reflects euro repo market activities within the euro zone and worldwide in accordance with the criteria laid down in Article 2. Consideration will also be given to the geographic diversity of the origins of panel banks and to a supportive attitude towards EUREPO.

ARTICLE 6 ROTATION SYSTEM

In situations where it is difficult to make a choice between two candidate panel banks from the same euro-zone country and showing similar repo market volumes, the Steering Committee may decide to resort to a rotation system where banks alternate on the panel at regular intervals, as determined by the Steering Committee.

The Steering Committee shall periodically review the grounds for the continuing existence of such rotation system and may decide to discontinue it.

All banks participating in a rotation system must provide their quotes on a permanent basis to the screen service provider; it is agreed and understood, however, that only the quotes of the banks which are effectively members of

the panel at a given time will be used for the calculation. Pre-fixing at country level is prohibited. All banks participating in the rotation system must provide original rate quotations direct to the screen service provider.

ARTICLE 7 OBLIGATIONS OF PANEL BANKS

1. Panel banks must quote EUREPO:

- for the complete range of maturities as indicated by the Steering Committee;
- on time as indicated by the screen service provider;
- daily except on Saturdays, Sundays and Target holidays;
- accurately with two decimal places.

2. Panel banks must make the necessary organisational arrangements to ensure that delivery of the rates is possible on a permanent basis without interruption due to human or technical failure.

3. Panel banks must take all other measures that may be reasonably required by the Steering Committee or the screen service provider in the future to establish EUREPO.

4. Panel banks must subject themselves unconditionally to this Code and its enclosures, in their present and future form.

5. Panel banks must promote as much as possible EUREPO (e.g. use EUREPO as a reference rate as much as possible) and refrain from any activity damageable to EUREPO.

ARTICLE 8 STEERING COMMITTEE

EURIBOR EBF, an international association under Belgian law, will create a Steering Committee as referred to in this Code.

The Steering Committee, which will meet at least once per year, will consist of 10 members, 7 from the EURIBOR EBF side, 3 from the ERC side. The members must be experienced market practitioners, i.e. people who are directly involved in euro repo market operations or who bear direct responsibility in their bank for it. The Secretary General of the European Banking Federation will be a permanent member of the Steering Committee under the EURIBOR EBF quota. The other members have a mandate of 2 years. This mandate is renewable.

EURIBOR EBF shall elect 4 non-permanent representatives in the Steering Committee from among a list of persons supplied by its national member associations. The remaining 2 non-permanent representatives under the EURIBOR EBF quota shall be elected, respectively, from among a list of persons supplied by the European organisation that is representative of the savings banks and from a list of persons supplied by the European organisation that is representative of the cooperative banks.

All the members must be independent and not subject to instructions from the companies or organisations to which they belong.

EURIBOR EBF and the ERC appoint and revoke their members independently. In case a member is revoked, or stops being a member for any other reason before the expiry of his mandate, he or she may be replaced by another member from the same organization for the remainder of the mandate.

Each member has one vote. Decisions in the Steering Committee will be taken by a simple majority of the votes of the members present at meetings. In case of a tie vote, the Secretary General of the European Banking Federation has a casting vote. A decision to exclude a bank from the panel or admit a new bank to the panel must be taken by a qualified majority of seven votes.

The Steering Committee is empowered to change the Eurepo GC list set out in Enclosure 1 of this Code of Conduct. A change to the Eurepo GC list can only be taken by a qualified majority of seven votes.

ARTICLE 9 TASKS AND RIGHTS OF THE STEERING COMMITTEE

The Steering Committee may at any time request panel banks to demonstrate and prove that their relevant market activities (see Article 2) still qualify them for a seat on the panel.

The Steering Committee also reviews, in accordance with Article 5, new applications for a seat on the panel and may remove a bank from the panel if the criteria laid down in Article 2 are no longer met. The Steering Committee will also periodically review whether, in the light of market developments, a reduction of the number of panel banks is warranted and whether the justification for a rotation system in one country is still given.

The Steering Committee will indicate the maturities for which EUREPO must be quoted, paying due consideration to the range of maturities quoted for EURIBOR and EONIA as appropriate.

The Steering Committee will also control whether the panel banks fulfill their obligations under this Code.

ARTICLE 10 SANCTIONS

The Steering Committee may take the following sanctions if panel banks do not comply with the obligations under this Code:

- issuance of a warning to remedy the situation quickly;
- if such warning is ignored, exclusion of a panel bank from the panel.

ARTICLE 11 PROCEDURAL RULES

Before the Steering Committee takes a decision, it gives the parties concerned the opportunity to expose their opinion. If the Steering Committee decides to remove a bank from the panel, it will provide a written explanation for such decision to the bank concerned.

ARTICLE 12 AMENDMENTS

EURIBOR EBF may amend this Code, notwithstanding Article 8 paragraph 7, whenever such a request is brought before it by at least one half of the members of the Steering Committee.

Amendments to this Code are not subject to the approval of the panel banks. Panel banks are, of course, free to leave the panel if they do not wish to abide by the amended Code.