MEMORANDUM

TO: File
FROM: Margaret Rubin
RE: Meeting with Representatives of Securities Industry and Financial Markets Association ("SIFMA")
DATE: March 6, 2015

On February 20, 2015, representatives of the Securities and Exchange Commission ("SEC") participated in a meeting with representatives of SIFMA. The SEC representatives present were Brian Bussey, Heather Seidel, Paula Jenson, Tom McGowan, Carol McGee, Richard Gabbert, Jeffrey Mooney, Marie-Louise Huth, Michael Gaw, Andrew Bernstein, Joseph Furey, Sheila Swartz, Lourdes Gonzalez, and Margaret Rubin. The SIFMA representatives present were Kyle Brandon (SIFMA), Aseel Rabi (SIFMA), Bradley Edgell (SIFMA), Marcelo Riffaud (SIFMA), Craig Griffith (SIFMA), Gregory Todd (Bank of America), Maggie Gage (Credit Suisse), Anthony Cicia (Morgan Stanley), Michael Huber (Goldman Sachs), John Vitha (Goldman Sachs), and Colin Lloyd (Cleary Gottlieb Steen & Hamilton LLP).

At the meeting, the SEC and SIFMA representatives discussed approaches to the cross-border application of derivatives rules, the proposed rules on capital, margin, and segregation requirements for security-based swap dealers and major security-based swap participants, and the sequencing of compliance dates for final rules applicable to security-based swaps.

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DISCUSSION DOCUMENTS
FEBRUARY 20, 2015

The Securities Industry and Financial Markets Association (SIFMA) prepared this material for discussion purposes only.

SD/SBSD Entity Comparison

The matrix below compares (1) the types of instruments that a dually registered Swap Dealer/Security-Based Swap Dealer ("SD/SBSD") can trade with or clear for U.S. customers, depending on the registrant's other statuses and (2) the capital requirements applicable to such registrants.

	U.S. Bank	ANC U.S. BD/FCM	U.S. BD-Lite	Foreign SBSD
OTC Securities Options	✓	✓	✓	Rule 15a-6
Cash Securities	×	✓	×	Rule 15a-6
Uncleared Swaps	✓	✓	✓	✓
Uncleared SBS	✓	✓	✓	✓
Cleared Swaps*	×	✓	×	×
Cleared SBS*	×	✓	×	×
"Risk Based" Capital Requirements	• Risk-based Models (Basel 2.5) • No 100% deductions for "non allowable" assets	•Risk-based Models; transitioning to Basel 2.5 •100% deduction for "non allowable" assets	•Risk-based Models; transitioning to Basel 2.5 •100% deduction for "non allowable" assets	•Risk-based Models (Basel 2.5) • No 100% deduction for "non allowable" assets
Leverage Restrictions	Supplemental Leverage Ratio (SLR)	• Existing: Greater of 2% of customer debits and 8% of futures/cleared swap IM •Proposed: 8% of SBS IM	Proposed: 8% of additional SBS IM	Home country SLR

* Customer positions (not proprietary)

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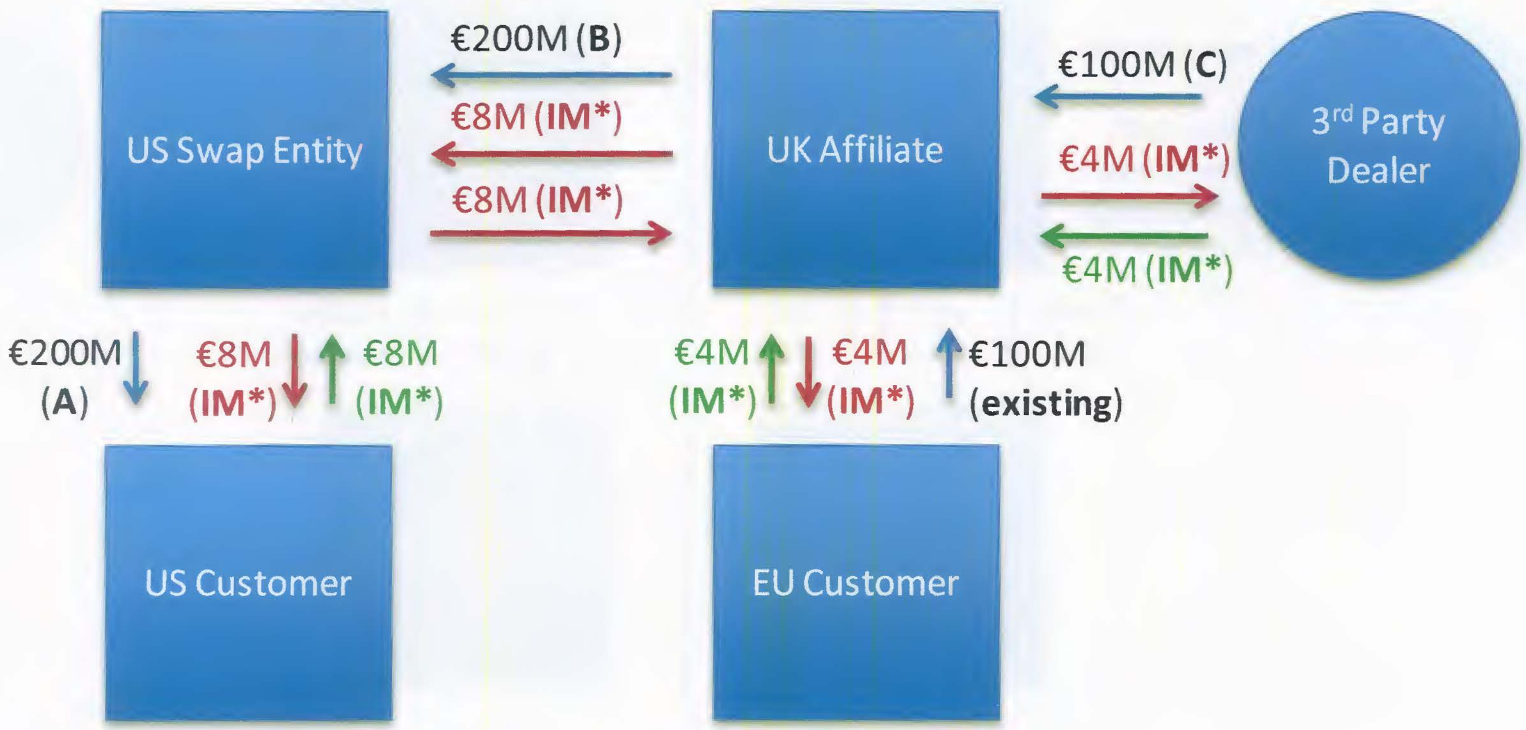
Scenario 1: Impact of Proposal's Requirement regarding Posting of IM between Affiliates

US Swap Entity sells €200M notional CDS on EU company to US customer (Transaction "A"). US Swap Entity hedges CDS by buying €200M notional CDS on the same EU company from UK affiliate (Transaction "B") that is already long €100M notional in CDS on that company due to a trade with an EU customer. UK affiliate hedges by buying additional €100M notional CDS on the company from a 3rd party dealer (Transaction "C"). Assuming IM requirements for transactions = 4% of notional, this results in the posting of **€32M in segregated IM by the US Swap Entity and its UK Affiliate, and €400M notional in group-wide credit exposure to 3rd parties**.



*Held at 3rd Party Custodian/No Rehypothecation

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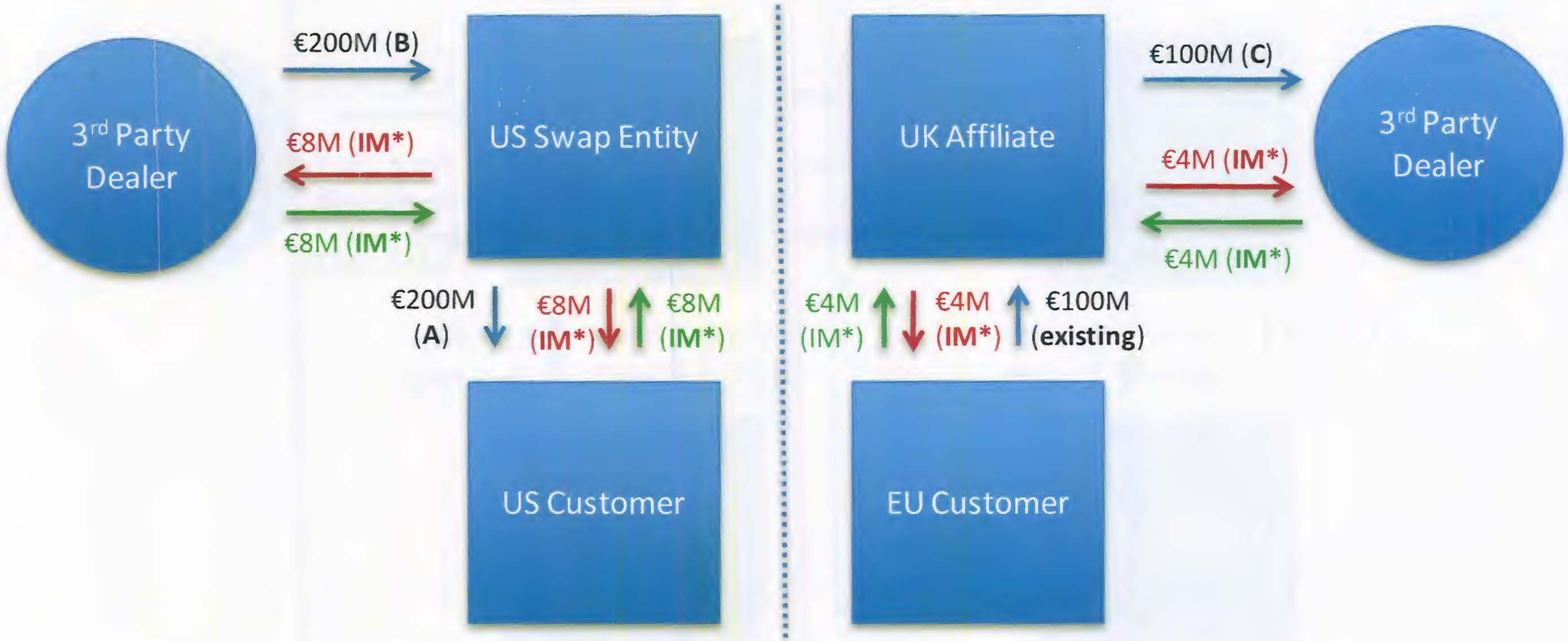
Scenario 2: Moving Away from Inter-Affiliate Transactions as Risk Management Tool

US Swap Entity sells €200M notional CDS on EU company to US customer (Transaction "A"). US Swap Entity hedges by buying €200M notional CDS on the same EU company from a 3rd party dealer (Transaction "B"). UK affiliate is already long €100M notional CDS on that company due to a trade with an EU customer, and to hedge the UK affiliate sells €100M notional CDS on that company to a 3rd party dealer (Transaction "C"). Assuming IM requirements for transactions = 4% of notional, this results in **the posting of €24M in segregated IM by the US Swap Entity and its UK Affiliate, and €600M notional in group-wide credit exposure to 3rd parties**.



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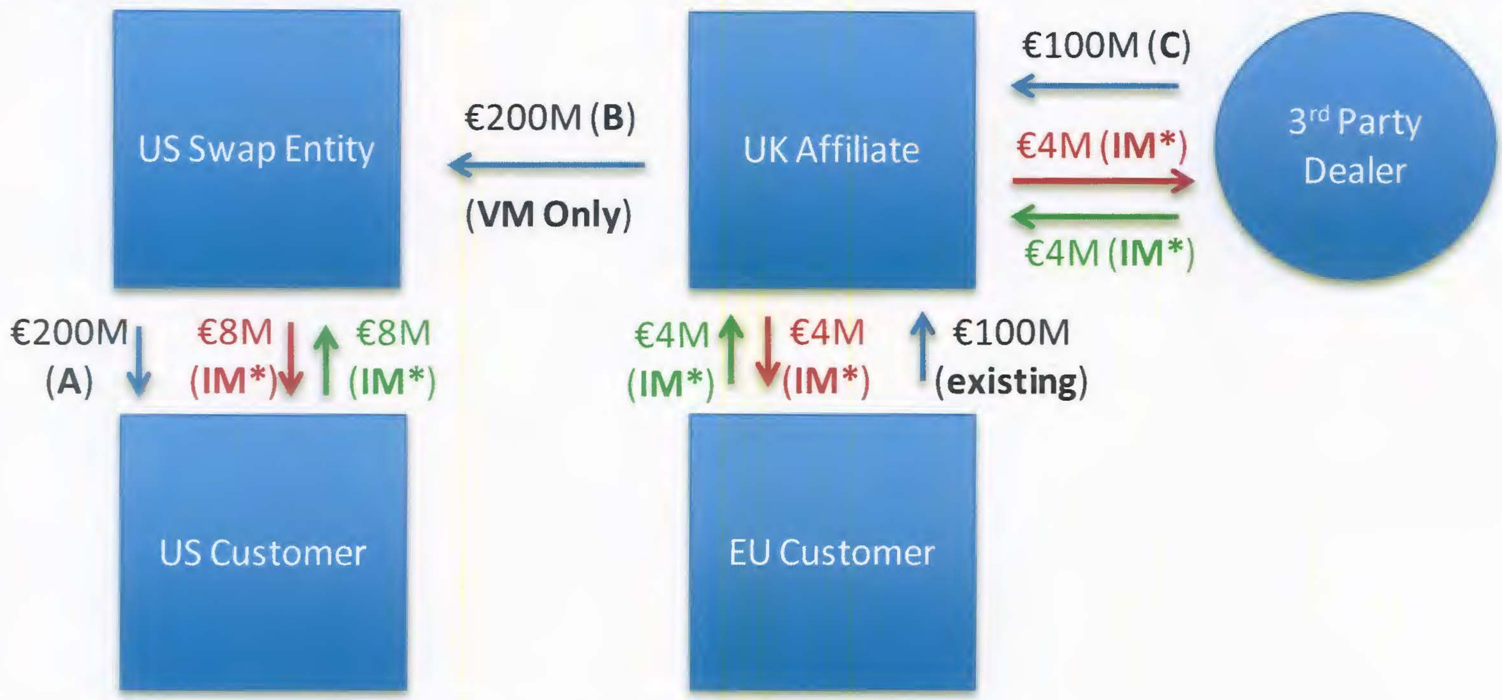
Scenario 3: No Posting of IM to Affiliates (SIFMA Recommendation)

US Swap Entity sells €200M notional CDS on EU company to US customer (Transaction "A"). US Swap Entity hedges by buying €200M notional CDS on the same EU company from UK affiliate (Transaction "B") that is already long €100M notional in CDS on that company due to a trade with an EU customer. UK affiliate hedges by buying additional €100M notional CDS on the company from a 3rd party dealer (Transaction "C"). Assuming IM requirements for transactions = 4% of notional, and that IM does not need to be exchanged between affiliates (subject to certain conditions**), this results in **the posting of €16M in segregated IM by the US Swap Entity and its UK Affiliate, while notional group-wide credit exposure to 3rd parties remains at €400M**.



*Held at 3rd Party Custodian/No Rehypothecation

**(1) swaps subject to group-wide, consolidated risk management program; (2) parties to swaps comply with VM requirements; and (3) Covered Swap Entity's group is subject to consolidated capital requirements consistent with the Basel Accord.