Minutes of the European Repo Committee meeting held on February 21, 2012 in London

Present:  
Mr. Gerdfried De Vidts  ICAP (Chairman)  
Mr. Stephen Malekian  Barclays Capital  
Mr. Ben Packman  BNP Paribas (substitute)  
Mr. Herminio Crespo Urena  Caja de Madrid  
Mr. Grigoris Markouizos  Citigroup  
Mr. Andreas Biewald  Commerzbank  
Mr. Romain Dumas  Credit Suisse  
Mr. Tony Baldwin  Daiwa Capital markets  
Ms. Bassma El-Amir - Riley  Deutsche Bank (substitute)  
Mr. Jean-Michel Meyer  HSBC  
Mr. Stefano Bellani  JP Morgan  
Mr. Rajen Patel  Morgan Stanley (substitute)  
Mr. Ulf Bacher  Newedge Group  
Mr. Sylvain Bojic  Société Générale  
Mr. Guido Stroemer  UBS  
Mr. Eduard Cia  UniCredit Bank AG

On the phone:  Mr. Richard Comotto  ICMA Centre

Also Present:  Mr. Tony Platt  Morgan Stanley (Chair, ERC Ops)  
Mr. Laurent Martinet  Bloomberg  
Mr. Bruce Manson  Bloomberg  
Mr. Jean-Robert Wilkin  Clearstream  
Mr. Frank Reiss  Euroclear  
Mr. Cédric Gillerot  Euroclear  
Ms. Lalitha Colaco-Henry  ICMA (Secretary)  
Ms. Lisa Cleary  ICMA  
Mr. David Hiscock  ICMA  
Mr. John Serocold  ICMA  
Ms. Serena Vecchiato  ICMA

Apologies:  Mr. Simon Kipping  BAML  
Mr. Eugene McGrory  BNP Paribas (substitute)  
Mr. Ronan Rowley  Deutsche Bank (substitute)  
Mr. Oly Benkert  Goldman Sachs  
Mr. Edward McAleer  Morgan Stanley (substitute)  
Mr. Michel Semaan  Nomura  
Mr. Kevin McNulty  ISLA
Welcome by the Chairman

The Chairman thanked JP Morgan for kindly hosting the meeting and welcomed everyone in attendance and on the phone.

1. **Bloomberg Valuation Service for Repo**

Mr. Bruce Manson gave a presentation on Bloomberg’s Valuation Service (BVAL) which is a pricing service for cash securities and OTC derivative instruments. The key features of this pricing service are the transparency of the methodology used to calculate a price for each security, and a unique numerical rating called a BVAL score which shows the relative strength of the quantity and quality of the market data used in calculating the BVAL price. A copy of their slide presentation is attached to these minutes as Annex A.

The Chairman thanked Mr. Laurent Martinet and Mr. Manson for their presentation. It was noted that a number of committee members use the service and find it quite helpful. The Central Bank of Italy has also made reference to the service indicating that one indicator of the liquidity of a security might be a BVAL score of at least 6 or 7. Bloomberg is also in discussions with the ECB. Neither Euroclear nor Clearstream use the service, but both have examined it and have considered its use in the context of their tri-party service. In this regard, both ICSDs indicated that they would appreciate a discussion with the Committee about whether the use of an external pricing source such as BVAL would be the ideal way forward.

2. **Update on Interoperability between the ICSDs**

Mr. Jean-Robert Wilkin from Clearstream and Mr. Cédric Gillerot from Euroclear reported on the meetings that they had had with the five fixed income CCPs\(^1\) to discuss tri-party interoperability. Since the end of November, two workshops have been held to answer the CCPs questions regarding the model. A third workshop is scheduled for March 8th. A further meeting will be held on March 21st organised by the ERC Chair to provide an updated description of the tri-party interoperability model that addresses the comments and requirements of the CCPs. Following this meeting, the various stakeholders will have till May to assess their individual ability to implement the model for their own product/s. At the end of June, the ICSDs and the CCPs will communicate their respective decisions to the ERC about whether they will implement the proposed model. It is anticipated that this meeting will take place in or around the ERC Committee’s June meeting. If the decision is made by all stakeholders to commit the required investments and implement the model, the ICSDs anticipate that it could be operational by the end of 2013.

The ICSDs have been in discussions with the CCPs since September 2011. Some CCP requirements have already been identified, such as whether eligibility for the GC baskets should be defined on the basis of a list of ISINs or on the basis of agreed selection criteria such as a defined category of assets. Nevertheless, it is important to note that one of the key principles of the model is that each CCP will define the interoperable basket/s that it will clear. A second key issue that the ICSDs and

---

\(^1\) LCH.Clearnet Ltd, LCH.Clearnet SA, Eurex Clearing AG, Cassa di Compensazione and Meff Clearing.
the CCPs have been considering is whether collateral valuation should be provided by the CCPs or whether it should be provided jointly by the ICSDs using pricing from an independent pricing source. However, this decision is to be taken by the CCPs. It was also noted that only two of the five CCPs have a live product, while the other three CCPs are still in the process of building their products. After a brief discussion, the committee decided that collateral valuation is currently provided by the individual CCPs so retaining this practice under the tri-party interoperability model would merely be a continuation of the status quo.

There have been a number of other issues that have been discussed with the CCPs including how the CCPs would manage an event of default and how standard reporting would be presented to the CCPs. Other discussions, such as the treatment of fail and collateral re-use, have been clarified with the CCPs but still need to be illustrated with business scenarios.

Following a question raised by one of the Committee members, it was clarified that improvements in the interoperability of the Bridge are currently not part of the discussions with the CCPs on the tri-party interoperability model and that the on-going discussions with the CCPs are based on the existing characteristics of the Bridge between the ICSDs. It was also noted that other tri-party agents/custodians such as the Bank of New York and JP Morgan are not excluded from the tri-party interoperability model and that if they were to decide to participate, they would be able to do so.

3. Feedback from the Loan Repo Workshop

Ms. Lisa Cleary noted that ICMA has produced three papers, such as the legal feasibility report that set out the foundations for developing a loan repo market, which have been circulated to the Committee a number of times already. ICMA has now hosted a Loan Repo System workshop which was held in London on January 30th with the aim of bringing together a wide variety of loan market participants to discuss how much commercial appetite there is for taking the project forward. The meeting was well attended, including a representative from the Loan Market Association, as well as a number of loan portfolio colleagues. Ms. Cleary circulated the attendance list of the workshop to the Committee.

One of the pre-requisites for the ICSDs for the single database is that the loans must be registered with the clearing systems and must be freely transferable. All such eligible loans will be assigned an “XS” ISIN code. ISIN numbering will be synchronised between the ICSDs. Key for the project will be finding an independent valuation source, as there is no secondary market for loans. It was noted that on the loan side, there appears to be some push-back regarding transparency of pricing. The Committee agreed that pricing may be an issue that will need to be addressed in the future.

It will also be crucial for the central banks to support the project and ideally use the same platform. In this regard, it will be important to engage with both the front office and back office of the central banks. Additionally, ERC Committee members were requested to talk to their respective national central banks, especially in the larger EU countries which already have established infrastructures in place, to persuade them of the merits of signing up to the new platform. It was noted that the Bank of England was also interested in the project.
4. **Minutes of the previous meeting**

The draft minutes of the last ERC Committee meeting, held on November 7th 2011 in Copenhagen, were unanimously approved without comment and accordingly will be published on the ICMA website.

5. **Election of the new Chairman and Vice Chairmen of the Committee of the European Repo Council**

The Chairman congratulated the new members elected to the Committee. He also reminded committee members of ICMA Rule 1014.8 which states that “if a member of a regional committee is not present at three consecutive meetings of that regional committee, that member shall be deemed to have resigned from the regional committee.”

Mr. Godfried De Vidts was reconfirmed as Chairman of the Committee. Mr. Eduard Cia and Mr. Edward McAleer were reconfirmed as Vice-Chairmen of the Committee.

6. **FSB working group on the regulation of cash reinvestment from securities lending haircut levels**

It was reported by the Chairman that the meeting with the FSB held in December was very informative. The US delegation had been particularly outspoken but it became clear at the meeting that US and European repo market practices cannot be compared as the two markets operate very differently. The lack of data is problematic though the ERC's repo survey is of some assistance in this regard.

The Chairman gave a follow-up of the call that he, together with Mr. Richard Comotto, had had with Ms. Sharon Bowles, MEP, the previous week. She was informed of the semi-annual repo survey that has been carried out by Richard Comotto for the past 11 years, as well as the recently published paper on haircuts. The Chairman added how helpful the haircut paper had been in elaborating on the differences between the US and EU repo markets. There is a need for further engagement with regulators in order to educate them on the European repo market. It was also noted that Richard Comotto will be publishing an article in the April edition of The Banker which will addresses some of the points raised in Ms. Bowles' recent article in the same journal.

On the topic of shadow banking, there was some discussion about bringing the ECB into the discussion, though it was noted that it is already included in these discussions by way of its involvement with the ESRB and the FSB.

The idea of discouraging regulators from imposing certain minimum haircuts was also given careful consideration by the Committee. It was felt that there would be a need for caution regarding the interbank market. It was noted that while repos have a twofold objective, as both interbank securities and leverage instruments, regulators are tending to focus on the latter, underestimating the effects that their possible intervention has for the well-functioning of the interbank market. Nevertheless, there is a need to educate politicians and others about the nature of repo and the role it serves, to counter the idea that repo is “bad”. As an SRO, the ERC also has a role to advocate
greater disclosure about levels of repo, especially in annual reports. The ERC should be more forthcoming about pushing for greater transparency. However, it was noted that with netting in place, greater transparency may be difficult for firms. There was also a discussion about the possibility of including average figures on haircuts in the semi-annual repo survey. Finally, the Committee considered Sharon Bowles’ suggestion of a trade repository for repo. Swift’s messaging system may be one possibility to consider, though apparently it is not widely used in the industry. The Committee will consider the FSB paper carefully when it is published in April. There will also be a meeting, hosted by the Commission, on Shadow banking on April 27th. In the meantime, it may be worth asking David Rule how the ERC can be of greater assistance.

7. **Calculation of interest in floating rate repos**

Mr. Richard Comotto briefly introduced his paper on the calculation of the final repurchase price in floating rate repos. Mr. Comotto said he had received feedback from most firms who had been approached and asked if there were any further comments. Once approved, the idea is for the paper to form part of the Repo Code of Best Practice. It was agreed that the paper would go to the ERC Ops Group for further discussion. In particular, Mr. Comotto asked for feedback on whether the wording in the paper regarding affirmations was correct.

8. **Report of the Collateral Initiatives Coordination Forum**

Mr. David Hiscock provided an update on the Collateral Initiatives Coordination Forum (CICF) which had its first meeting on January 30th. The CICF is a joint trade associations’ focus group which has the aim of facilitating appropriate coordination across the private sector of all collateral-related initiatives. It is chaired by Mr. Godfried De Vidts. While the Minutes of the first meeting are not yet available on ICMA’s website, Mr. Hiscock said that the list of members of the CICF is available.²

Regulators are focusing increasingly on collateral. In addition, major infrastructure projects include the ECB’s collateral central bank management (CCBM2) and TARGET 2 Securities (T2S); and COGESI is establishing new work groups to address harmonisation of collateral procedures. It would be advantageous for the various trade associations that are considering collateral issues to coordinate their efforts to ensure that the industry is able to feed a coherent view into these regulatory initiatives.

9. **Composition of European collateral pool baskets**

Mr. Andreas Biewald noted that there had been a meeting of the EBA which he had been unable to attend but that the next meeting was scheduled for the end of March or early April. The EBA has indicated that it will seek to collect data in 2012 and expects to deliver a list of securities considered eligible for the liquidity buffer in 2013. The securities included in the list are likely to be defined either in terms of specific ISIN codes, or in more general terms as a list of classes of securities that can be included in the basket. However, it seems that little progress is being made as no one wants

---

to be responsible for deciding what should be in or out of the basket. In particular, no one wants to take responsibility for what should happen if a security that was included in the basket should become illiquid. It was agreed that the ERC will wait for the EBA definition of LCR before taking any further action.

10. **Repo Margin guidelines**

Mr. Tony Platt gave an update on the work carried out by the ERC Ops Group to amend the repo best practice guide to Repo Margining and asked the Committee to approve the new guidelines. The major change in the guide concerns what should be included in a portfolio regarding margined securities. Accordingly, the definition will change to actual settlement rather than assumed settlement, which is a more conservative and prudent approach to risk.

There was some discussion about the difficulty that the rest of the market may have in implementing the new guidelines. There was some debate about the extent to which the ERC should only issue guidelines that a reasonable percentage of the market would be in a position to adhere to. However, it was agreed that the proposed new guidelines represent best market practice and take a prudent approach to risk. It was hoped that the if the ERC were to adopt the proposed guidelines then market participants would be encouraged to narrow settlement times around margin, eventually to T+0. It was also accepted that there would be a period of time when firms will not be able to comply as it will take time for systems to be changed.

The Committee approved the new Repo Margin guidelines. They will be published on the ICMA website and presented at the ICMA Annual General Meeting on May 23-25, in Milan.

11. **ERC Operations Group update**

Mr. Platt noted that the number of meetings of the ERC Ops Group had increased. The next ERC Ops meeting is scheduled for February 29th. The Group has been closely involved in the discussions on tri-party interoperability and has also had some discussions on credit claims. The Group has committed to bringing into its membership a loan repo specialist as it was felt there was a lack of expertise in the Group on this subject.

Mr. Platt also noted that a sub group had been created, chaired by Nicholas Hamilton, to work on how each firm affirms trades in order to identify any existing gaps in the trade affirmation process. The Group is also considering inviting a variety of commercial vendors to assess how their products work in order to assess what services they can provide and the extent to which there continue to be gaps in the process.

The Ops Group has also been looking at interest rates for fails – i.e. the overdraft rate versus the rate set out in the GMRA. There are increasing reports that overdraft rates are being used instead of the GMRA provisions and this is a practice that needs to be pushed back on.

Turning to regulatory issues, a number of papers have been published recently on how repo would operate in a post-T2S environment and accordingly, the Ops Group are looking to set up a working group to study this further.
12. **Negative interest rates in repo transactions with sovereigns as collateral**

It was noted that the ERC had already published a Recommendation regarding fails in negative interest rate repos.³ The Committee agreed that it would be worth re-focusing attention on this issue. Ms. Cleary said that the latest draft of the GMRA 2011 protocol does not cover the Recommendation.

There was some discussion about whether the Recommendation is still fit for purpose. A 0% interest rate could give market participants an incentive to fail. However, there may be a case for developing a mid-level solution as the use of mini close-out is perceived as being overly harsh. It was noted that TMPI in the US imposes a 300 point basis charge and the imposition of this charge has greatly reduced fails the US market. However, it was recognised that it would be harder to impose a US-style solution in Europe, given the jurisdictional issues. Mr. Sylvain Bojic agreed to write a paper on what more could be done.

13. **MiFID**

Mr. John Serocold asked the Committee if the new Organised Trading Facility (OTF) platform, being proposed under MiFID II, would be a source of concern for their business. The Committee concluded that OTFs would not be an issue for the repo market.

14. **CSD Regulation**

The CSD Regulation is expected to be published in early March with the aim of setting the optimal structure for settlement in the EU and increasing competition in the market without compromising safety. Mr. Serocold asked for feedback on the paper he had prepared for the meeting. The Chairman noted that the Commission wants national CSDs to have access to the ICSDs database of ISIN codes which may make tri-party interoperability less workable.

It was agreed that the ICMA position on the proposal should emphasize the need for a central location to pool collateral. Regarding the regulatory intention to make all transactions in central bank money, some concerns were expressed that the last part of each transaction will always be settled in commercial bank money in a cross-border environment as was set out in Mr. Comotto’s [study on central bank money and commercial bank money](http://www.icmagroup.org/assets/documents/Makot-Practice/Regulatory-Policy/Repo-Markets/Central%20and%20Commercial%20Bank%20Money%20-%20ICMA%20Report%20September%202011.pdf) published in September 2011.⁴

Mr. Serocold will circulate a draft position in the next couple of weeks. The response will highlight the need to preserve the gains made through efforts by the market in building an efficient and

---

competitive settlement framework by and for the markets including tri-party and interoperability between the ICSDs. However, the ERC Committee will not comment on the structural changes around the operating framework of the CSDs that may be proposed by the European Commission.

15. Buy-ins

Mr. Serocold said that ICMA’s Secondary Market Practices Committee has set up a working group to review the Secondary Market Rules and Recommendations. It is hoped that the working group will be in a position to circulate draft proposals by the end of March. One of the issues being considered by the working group is the timetable for buy-ins. Mr. Serocold said he will circulate a paper on this issue to the ERC Committee shortly.

There was some discussion about what the Committee saw as the main concerns. One issue identified was the mismatch between cash settlement versus delivery and the potential inability to close-out a position. Another issue raised was the mismatch in timing between the repo and cash rules. It was agreed that there is a need for harmonisation across cash and repo markets on this issue.

16. Short selling

Mr. Serocold noted the very short consultation periods that ESMA had allocated to stakeholders to respond to the two consultation papers on short selling. ICMA had submitted a joint response to the first of ESMA consultations on February 13th. For the second consultation, ICMA will similarly look to submit a joint response with other trade associations. AFME are coordinating the drafting effort. There are a limited number of repo points to make. Responses to the second consultation are due by March 8th, 2012.

17-18. Regulatory and Legal update

Mr. Hiscock said that ESMA had recently issued a discussion paper seeking stakeholders’ views on the regulatory and implementing technical standards ESMA is required to draft under the Regulation on OTC derivatives, central counterparties and trade repositories (EMIR). The paper focuses on the clearing obligations and risk mitigation techniques for OTC derivatives contracts not cleared by a CCP. Additionally, the paper seeks views on CCP requirements and requirements for trade repositories and in particular the content and format of the information to be reported to trade repositories, the content of the application for registration to ESMA and the information to be made available to the relevant authorities. Regarding the CCP requirements, questions are asked regarding margins and collateral requirements. The ICMA Secretariat will be considering if there is a need for the ERC to respond to this discussion paper.

Second, Mr. Hiscock noted that the UK regulatory authorities have been in talks with banks about

the need to make prudent contingency plans for a possible change in the composition of the Eurozone such as the departure of a Member State from the Eurozone. It was emphasised that an increasing number of queries had also been received by ICMA’s Legal Helpdesk on this issue. It was noted that the exit of a Member State from the Eurozone might also have implications for the GMRA. Ms. Cleary noted that a paper had been prepared by Ashurst regarding repo, the GMRA and Eurozone contingency planning which is available on the ICMA website. The GMRA working group had also had a call in December to talk about tightening the documentation. In this regard, the Bank of England and the FSA have asked that ICMA keep them informed of progress. It was noted that while amendments to GMRA documentation may help to mitigate any issues that may arise with new contracts, they would not apply to existing contracts. It was noted that there would be a considerable number of contracts that would be affected should Greece depart the Eurozone – not only in relation to outstanding contracts involving Greek counterparties but also those contracts which include Greek collateral. All firms are considering these issues internally.

19. Eurepo® Steering Committee

It was noted that Mr. Andreas Biewald currently sits on the Eurepo Steering Committee. Given the change in the composition of the ERC Committee, there is now a need to nominate two ERC Committee members to fill the ERC vacancies on the Eurepo Steering Committee. It was agreed that these two seats should be filled by Mr. Guido Stroemer and Mr. Jean-Michel Meyer. Ms. Colaco-Henry agreed to write to the EBF on behalf of the Chairman notifying Mr. Ravoet of the Committee’s decision.

20. Update of the Securities Lending and Repo Committee

The last Securities Lending and Repo Committee (SLRC) meeting was held on January 31st. Mr. Andrew Hauser has been appointed as the new Chair of the SLRC. He is trying to re-invigorate the Committee and increase the number of dealer and practitioner representatives on the Committee. It appears that he is looking to table agenda items similar to some of those discussed regularly by the ERC.

The Chairman noted that the contact details of ERC Committee members are given to both the ECB and the Bank of England should they need to call an urgent meeting to discuss market issues. He requested that Committee members ensure that their details are kept up to date with the ICMA Secretariat.

21. AoB and upcoming meeting dates

LCH.Clearnet price of margin – Mr. Stephen Malekian raised a concern regarding the price of collateral posted with LCH.Clearnet Ltd as margin. It would appear that LCH.Clearnet Ltd does not use the full/dirty price when crediting collateral that is posted as margin and instead, only a flat/clean price is used. The Committee agreed that this was needlessly expensive. It was felt that the

---

appropriate course of action would be to ask for this matter be tabled at LCH.Clearnet’s next PAG meeting. The Secretary was asked to send a letter to LCH.Clearnet.

**Further dates:** The next ERC Committee meeting will be held on Wednesday, April 25th in London, kindly hosted by Credit Suisse. A further meeting will be held on Tuesday, June 19th at 2:00pm in Madrid in the margins of ISLA’s Annual Conference.

The Chairman:  

Godfried De Vidts

London, 25 April, 2012

The Secretary:  

Lalitha Colaco-Henry
BVAL
A HIGH LEVEL OVERVIEW
Bloomberg
What is BVAL

• Bloomberg’s Evaluated Pricing Service
• Prices more than 2.25MM fixed income securities
• Uses market driven methodologies that reflect a disciplined and defendable process
• Transparency features that are market leading
• Fully integrated with the Bloomberg Terminal
The BVAL Difference

• Pricing algorithms that are transparent, consistent and defendable
• Market accepted valuation methods
• High Quality Data – Reference, Pricing, Financial and Econometric
• Integration with the Terminal
• Leverages all of Bloomberg
• The BVAL Score
METHODOLOGY AND TRANSPARENCY
### Methodology and Transparency: Liquid Corporate

**Bloomberg Valuation**

Enter snapshot criteria and hit <Go>

<table>
<thead>
<tr>
<th>Methodology</th>
<th>Price</th>
<th>Yield</th>
<th>Z-Spread</th>
<th>Weight</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final BVAL</td>
<td>101.758</td>
<td>1.351</td>
<td>16.1</td>
<td>100.0%</td>
<td>10/10</td>
</tr>
<tr>
<td>Direct Obs</td>
<td>101.758</td>
<td>1.351</td>
<td>16.1</td>
<td>100.0%</td>
<td>10/10</td>
</tr>
<tr>
<td>Historical Track</td>
<td>101.750</td>
<td>1.358</td>
<td>16.8</td>
<td>0.0%</td>
<td>7/7</td>
</tr>
<tr>
<td>Obs Comps</td>
<td>101.758</td>
<td>1.351</td>
<td>16.1</td>
<td>0.0%</td>
<td>4/5</td>
</tr>
<tr>
<td>Previous BVAL</td>
<td>101.745</td>
<td>1.362</td>
<td>17.3</td>
<td>0.0%</td>
<td>10/10</td>
</tr>
</tbody>
</table>

**Bloomberg History**

<table>
<thead>
<tr>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>101.758</td>
</tr>
<tr>
<td>102.0</td>
</tr>
<tr>
<td>101.60</td>
</tr>
<tr>
<td>102.0</td>
</tr>
<tr>
<td>101.758</td>
</tr>
</tbody>
</table>

**Issue Information (DES)**

- **Issuer**: BMW FINANCE NV
- **Composite Rating**: A-
- **Rank**: Sr Unsecured
- **Sector**: Auto-Cars/Light Tru
- **Issue Date**: 01/18/10
- **Issue Price**: 99.884
- **Issue Spread**: 112.1
- **Amt Outstanding**: EUR 1MM
- **Syr CDS**: 100.6
- **Identifier**: EI1065461
### Methodology and Transparency: Illiquid Corporate

#### Evaluated Pricing

<table>
<thead>
<tr>
<th>Snapshot</th>
<th>BID</th>
<th>02/10/12</th>
<th>Time</th>
<th>BVAL Price</th>
<th>100.186</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final BVAL Score (out of 10)</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield (%)</td>
<td>1.422</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprd to BTF 0 02/07/13</td>
<td>99.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Z-Spread</td>
<td>14.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I-Spread</td>
<td>18.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Settlement Date</td>
<td>02/15/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Issue Information (DES)

- **Issuer**: BMW FINANCE NV
- **Composite Rating**: A-
- **Rank**: Sr Unsecured
- **Sector**: Auto-Cars/Light Tru
- **Issue Date**: 10/17/11
- **Issue Price**: 100.000
- **Issue Spread**: -
- **Amt Outstanding**: EUR 100MM
- **5yr CDS**: 100.6
- **Identifier**: EI8340362

#### BVAL History

<table>
<thead>
<tr>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.186</td>
</tr>
</tbody>
</table>
Methodology and Transparency: Illiquid Corporate

Insufficient Data for Methodology
Methodology and Transparency: Illiquid Corporate
<table>
<thead>
<tr>
<th>BVAL Score - A New Concept</th>
</tr>
</thead>
</table>

- **What is it**
  - A measure of the Quantity and Quality of the underlying data used in the BVAL Price

- **How Some Try to Position the BVAL Score**
  - A low score is bad
  - It is only about the data

- **What Exists in Today’s Market**
  - Less Data
  - Little or No Transparency
Observations and Agreement of the Data
Summary

- Transparent
- Defendable Methodology
- High Quality Data
- The BVAL Score
Bloomberg Contacts

Bruce Manson
Global Head of BVAL Product Development
(212) 617-2693

Laurent Martinet
Senior Client and Regulator Relationships
(20) 7330-7629