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**ICMA letter and survey on EBA's term sheet for Buffer
Convertible Capital Securities (BCCS)**

Dear Ms Kelly

Thank you for your letter dated 17 January 2012 regarding EBA term sheet for Buffer Convertible Capital Securities (BCCS) and communicating the results of a survey on the marketability of the BCCS depending on the nature of the host instrument.

I understand that the choice of a Tier 1 host instrument has been a source of concerns for some investors in terms of attractiveness and marketability of the instrument. This has been made clear already by some investors and structurers contacted by EBA Staff before the finalisation of the term sheet.

Nevertheless, the Board of Supervisors of the EBA, considering all the options and taking into account all available information, including the information collected from market participants, decided that the instrument shall present strong features in terms of permanence, loss absorbency and flexibility of payments. In particular, the non-deferrability of the coupon payments in the case of a Tier 2 host instrument does not meet the requirement of a full flexibility of payments for the issuing institution.

The features of the BCCS have been designed as the result of a trade-off between the need to ensure a minimum marketability of the instrument and the need not to undermine the quality of an instrument which is included in a Core Tier 1 buffer, meaning that the qualities of the host instrument shall be strong enough from a regulatory perspective. As a result of this trade-off, the level of the trigger has been set at 7% instead of 9% (level which was clearly a no-go for market participants as evidenced by the contacts taken by EBA Staff).

Although we realise that, in the current market conditions, the instrument might fail to attract a sufficient pool of investors, we are confident that the efforts to provide some regulatory benchmarks could help the market for contingent capital to develop in the future. In this perspective, the EBA is very keen on maintaining open channels of communication with ICMA and market participants.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrea Enria". The signature is fluid and cursive, with a prominent initial 'A'.

Andrea Enria
Chairman