ICMA AMIC Response to IOSCO Report: Leverage Consultation Paper

Introductory Comments

The ICMA Asset Management and Investors Council ('AMIC') was established in March 2008 to represent the buy-side members of the ICMA membership. ICMA is one of the few trade associations with a European focus and both buy-side and sell-side representation. AMIC welcomes the opportunity to respond to this consultation by the International Organization of Securities Commissions (IOSCO) on leverage.

AMIC has a long-standing engagement with regulators on risk mitigation in investment funds, covering leverage, liquidity risk and stress testing. AMIC has responded to four FSB/IOSCO consultations touching on these topics among others, in 2014, 2015, 2016 and 2017[1]. AMIC has also jointly with the European Fund and Asset Management Association (EFAMA) drafted a research report on liquidity risk management in investment funds and more recently a research report on leverage in investment funds. AMIC and EFAMA launched a third report on liquidity stress testing on 8 January 2019.

General comments

AMIC supports the work or IOSCO to examine risks associated with leverage in investment funds. This approach at each fund level is a welcome focus on the potentially risky activities of asset managers as compared to an approach at management company level.

Furthermore, we support the approach by IOSCO to develop a two-step framework for assessing risk associated with leverage. It makes sense to screen investment funds in a first step to assess leverage and as the second step allow competent authorities in each jurisdiction to focus on the risk profile of a narrower number of funds. Most mutual funds, for example, will not have a high leverage by law. In Europe, most alternative funds also have low leverage.[2]

The design of the first step, therefore, is of key importance and is rightly the most important focus of the consultation. However, we are not convinced that some of the methodological choices in the proposed framework will achieve the objectives sought. AMIC believes that a simple GNE approach combined with NNE filtering is the best Step 1 framework for simplicity and cross-border comparison purposes. Therefore, while the "adjusted GNE" approach outlined by IOSCO has theoretical benefits, AMIC does not believe it should be used in the Step 1 process. Equally, the suggested "additional data points" apart from those on portfolio composition are not necessary to design the Step 1 framework.

Also, the regulatory purpose behind the second step seems underemphasised in the paper. While we support a principles-based approach to the Step 2 framework, it is very important that jurisdictions do not diverge too much in how to proceed with funds in Step 2. The risk is that without guidance jurisdictions could end up stigmatising Step 2 funds rather than seeing it as framework for a more detailed risk-based analysis of risk, recognising that leverage as a concept is not synonymous

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[1] For AMIC responses to systemic risk consultations, please see https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Asset-Management/Specific-regulatory-issues/shadow-banking/

[2] The European Commission's implementation report of the AIFMD found 88% of AIFMs reported less than 2x leverage, 43% reported less than 1.1x leverage.

with risk. Furthermore, AMIC has some concerns with the potential counterparty risk analysis tool in the second step, which we will develop in our consultation response below.

To conclude, AMIC welcomes IOSCO's two step framework for international leverage analysis and looks forward to working with IOSCO and the relevant national competent authorities to implement the chosen framework.

Responses to questions

Step 1

Questions on GNE

Question 1
Do respondents agree with the discussion above concerning the information that can be provided by this metric as well as its limitations?

Yes, we agree with the GNE section of the IOSCO consultation paper. GNE provides a very general overview of the exposure of funds in markets, despite some limitations that are highlighted by the report. Without taking into account offsetting factors, such as netting or hedging, GNE does not fully capture the riskiness of a fund. Therefore, it is essential that a second element, a net method, is incorporated into Step 1, to further filter risk, as proposed by IOSCO in its paper.

Question 2
Do respondents see merit in scoping out of step 1 assessments certain funds, such as for example, smaller funds? Please elaborate.

Yes, there is considerable merit in excluding certain funds out of the Step 1 assessment.

In particular, funds with structurally low leverage should be excluded. In Europe, UCITS funds are legally obliged to limit their leverage. The UCITS Directive allows borrowing only up to 10% of the fund's NAV, under the condition this is not intended for investment purposes, and only on a temporary basis, for example for liquidity management purposes. In addition, there is significant guidance on calculating global exposure from the use of derivatives.

Therefore, one approach could be to exclude all mutual funds with legislatively capped leverage (such as UCITS funds). We are aware that around the world there are different caps on leverage. We do not propose that IOSCO try to equalise these given the caps reflect an assessment of consumer protection in particular jurisdictions. Given the need to develop internationally consistent measures, defining a "mutual fund" may not be straightforward in all jurisdictions (e.g. UCITS or 40 Act funds).

Therefore, AMIC believes that an alternative approach could be to exclude all funds with USD 100mn in AUM on the basis of proportionality, or all funds with less than 300% NNE leverage (which is the objectively defined "substantial leverage" in AIFMD[3]). Such approaches could be combined with excluding structurally low leverage funds like UCITS funds where global exposure is capped by legislation.

[3] Commission Delegated Regulation (EU) No 231/2013 Article 111

Question 3
Is this an appropriate metric to use as part of this two-step framework? Does it provide any information that is not provided by the other potential step 1 metrics discussed below?

Yes, we believe GNE is an appropriate initial metric to use in Step 1 of the two-step framework. But GNE should ideally be used in combination with a second filtering metric: the net notional exposure (NNE) approach. Funds below the GNE threshold should be exempted from any further measures under this framework.

Questions on Adjusted GNE

Question 4
Do respondents agree with the discussion above concerning the information that can be provided by this metric as well as its limitations?

AMIC agrees with the theoretical analysis of an Adjusted GNE approach and its possible advantages (such as a better understanding of leverage across international jurisdictions) and limitations, however, we do not believe it is an appropriate metric to use, in practice, at the international level for the purposes of filtering funds.

The proposed methodology of allowing for adjustments to interest rate derivatives and options may reduce overstatement of leverage figures, but it would be difficult to implement this across all IOSCO jurisdictions, with high risks of divergences of interpretation and therefore high uncertainties in results.

AMIC believes it would be preferable to pursue a combination of GNE and NNE for the Step 1 analysis, as these two methods are simpler and therefore easier to implement at global level. They are also more conclusive than the use of adjusted GNE since a "fully adjusted GNE" (i.e. an NNE) is more relevant than a "partially adjusted GNE".

Question 5
Do respondents agree with the proposed adjustments of the gross notional exposure? To what extent would these adjustments provide improvements to the listed metrics and address the concern that metrics based on gross market exposure could overstate a fund's market exposure? Would respondents favour further adjustments and if so which one(s)? For example, should a measure of adjusted gross notional exposure consider adjusting a derivative's notional amount based on the volatility of the underlying reference asset? If so, what would be an appropriate measure of volatility? What other adjustments would be appropriate and why?

For reasons stated in our response to Question 4, AMIC does not believe the Adjusted GNE is a viable option to include in the Step 1 framework.

Question 6
With respect to the duration adjustment, do respondents agree that it would be appropriate to express interest rate derivatives as ten-year bond equivalents? Would respondents favour adjusting the fund's interest rate derivatives relative to its target duration rather than a ten-year bond equivalent? If the "10-year-bond equivalent" approach were preferred, which reference bond(s) should be used depending on market? If the "fund's target duration" were preferred, what should be done with the funds that have no target duration? Are there alternative approaches that should be considered? Which ones and why?

For reasons stated in our response to Question 4, AMIC does not believe the Adjusted GNE is a viable option to include in the Step 1 framework.

<u>Question 7</u>

Are there any funds that could be missed as a result of an analysis using adjusted gross notional exposure metrics but may warrant further regulatory attention? For example, a fund that invests significantly in investments with embedded leverage (e.g., an inverse floating rate note) may have a low gross notional exposure while nonetheless having highly volatile returns. As another example, if options are delta adjusted, would this raise the concern that a deeply out-of-the money option (with a corresponding low delta) could be given a very low adjusted gross notional exposure value but could represent a significant risk? If respondents agree with this risk, how could it be mitigated?

For reasons stated in our response to Question 4, AMIC does not believe the Adjusted GNE is a viable option to include in the Step 1 framework.

<u>Questions on NNE</u>

<u>Question 8</u>

Do respondents agree that information about a fund's net exposure, when used in conjunction with metrics based on gross market exposure, may provide additional information about a fund's potential leverage? Please elaborate.

Yes, as mentioned in our responses to questions 1-3 on GNE, exposure measured on a net basis combined with the simple gross exposure is the best way to filter potential leverage risk in the first step of an international leverage framework.

More specifically, AMIC supports the "first option" proposed by IOSCO on page 8 of the consultation paper. A simpler approach is preferable to allow for greater comparability across funds and jurisdictions. The first option is limited to taking into account netting of positions on the same underlying but possibly different maturities, which is preferable to the more complex and less easily comparable second option, which requires the taking into account of hedging based on correlations of underlying assets as well.

Given the positive experience since 2010 in Europe, AMIC recommends the close correlation of the proposed methodology with the CESR Guidelines on Risk Measurement and Calculation on Global Exposure and Counterparty Risks for UCITS (CESR/10-788).

<u>Question 9</u>

To what extent should netting assumptions be considered to ensure that netting conventions applied may not impair consistent calculation of one fund's net exposure to another and from one jurisdiction to the other? We invite respondents to comment on the approach set forth in Appendix A.

Netting assumptions that AMIC has best experience of are the duration maturity bucket approach in CESR/10-788, detailed in Appendix A of the consultation paper. Such an approach would benefit from simplicity of implementation and familiarity of use in Europe. IOSCO could use CESR/10-788 as a starting point, as it has been working well for many years in Europe.

However, in order to facilitate more meaningful monitoring of leverage for financial stability purposes, the list of instruments subject to the commitment approach conversion should be enhanced to add instruments that embed derivatives (e.g. "to be announceds" (TBA), credit linked notes (CLNs), P-notes, structured products, or CoCos etc.). The current CESR/10-788 list is "non-exhaustive" but in reality, as we see in practice there is a wide disparity across the firms in including instruments with embedded derivatives other than the instruments mentioned in CESR/10-788.

However, IOSCO should clearly articulate, in line with CESR/10-788, that only strategies with the "primary investment objective of investing in interest rate derivatives" should be allowed so that arbitrage or absolute return strategies should not be allowed to avail from the techniques.

Question 10

Do respondents agree with the proposed conditions of currency hedging arrangements?

For the sake of simplicity AMIC would prefer if IOSCO would retain a more open and generic approach consistent with the current CESR/10-788 wording: "financial derivative instruments used for currency hedging purposes (i.e. that do not add any incremental exposure, leverage and/or other market risks) may be netted…".

Question 11

Are there any funds that may warrant further regulatory attention but that could be missed as a result of an analysis using NNE based on the approach proposed in Appendix A?

Based on our experience in Europe with CESR/10-788, we do not believe the duration maturity bucket approach would miss significantly leveraged funds in the Step 1 filtering process.

Question 12

Would information that serves as a proxy for potential offsetting relationships be informative when evaluating a fund's potential leverage? How comparable would these proxies be across jurisdictions? Do respondents believe the examples discussed above would be informative? Are there other proxies that would be informative?

Yes, it is possible that proxy information would be useful to establish offsetting relationships when evaluating leverage. However, this process would have to remain objective while the examples provided are challenging in this respect. For instance, "how the fund estimates that its portfolio will change in response to changes in market factors" appears very subjective.

Questions on GNE, Adjusted GNE or NNE

Question 13

GNE represents the gross market exposure of a fund which is calculated by summing the absolutes values of the notional amounts of a fund's derivatives by asset class plus the value of the fund's other investments by asset class, as noted above. Should cash and cash equivalents be included in the calculation of exposure, or not? Please explain.

No, we do not believe cash or cash equivalents should be included in the GNE calculation, except where there may be FX risk. Currently, AIFMD rules do not include cash, an approach we support as cash holdings do not increase risk (except in the case of FX risk) and even less leverage.

Question 14

Should the greater of the cash borrowed and the current value of the assets purchased with the borrowings be retained when calculating the metrics or should it consider, once cash is reinvested *that the value of the corresponding investment should be used? In some jurisdictions, regulatory calculations include the greater of the amount of cash borrowed or the value of the investments purchased with the borrowing. For example, if a fund borrows $100 and invests all of it in securities that later decline in value to $50, under this approach the calculation would include the greater amount of the cash borrowing, rather than the value of the security. Please elaborate.*

Consistently with the current AIFMD rules, the calculation of risk leverage not related to derivatives should focus on the overall portfolio of risky assets (including, but not only, the ones bought as part of cash reinvesting) and <u>not</u> on the borrowed amount.

To help illustrate our reasoning, we will present a few examples to demonstrate that neither the borrowed value, the value of the investments purchased with the borrowing or the greater of the borrowed value and the value of the investments purchased provide the right level of risk leverage.

For the purposes of our illustration it is necessary to define the following values:

- S1 =100: value of the assets of the fund bought before the borrowing is implemented (which we will consider this value as constant over time);
- S2: current value of the investments purchased with the borrowing;
- RF: risk free assets remaining from the borrowing (i.e. not reinvested);
- E: Net Asset Value (NAV) of the fund (equity of the fund); and
- D = 100: borrowed value (debt of the fund).

Example 1 – The borrowing has just been implemented but only 90 have been reinvested, 10 remain in cash:

- S1 = 100
- S2 = 90
- RF = 10
- D = 100
- E = S1+S2+RF-D = 100

Using D/E = 1 (i.e. debt/NAV) as the leverage would be wrong since the actual risk leverage is (S1+S2)/E-1 = 0.9.

Example 2 – The borrowing has been fully invested in risky assets, but their value dropped from 100 to 50:

- S1 = 100
- S2 = 50
- RF = 0
- D = 100
- E = S1+S2+RF-D = 50

Using S2 / E = 1 (i.e. value of the investments purchased / NAV) as the leverage would be wrong since the actual risk leverage is (S1+S2)/E-1 = 2.

Example 3 – The borrowing has been fully invested in risky assets, but their value increased from 100 to 150:

- S1 = 100
- S2 = 150
- RF = 0
- D = 100
- E = S1+S2+RF-D = 150

Using S2 / E = 1 (i.e. the greater of the borrowed value and the value of the investments purchased / NAV) as the leverage would be wrong since the actual risk leverage is (S1+S2)/E-1 = 0.67.

To conclude from these three examples: the risk leverage not related to derivatives should be calculated as the sum of the value of all portfolio risky assets divided by the NAV of the portfolio minus 1 (i.e. (S1+S2)/E-1). We believe this would be the prudent approach to adopt by IOSCO.

Question 15

GNE and adjusted GNE discussed above, are both presented on a gross basis, that is, the metrics represent the sum of the absolute values of long and short positions and by asset class, without any netting or hedging. Where positions are closed out with the same counterparty and result in no credit or market exposure to the fund, should they be excluded from these metrics? This would be consistent with data reporting on the SEC's Form PF, for which advisers do not include these closed-out trades when reporting the aggregate value of all derivatives positions. For example, if a fund enters into a future contract to sell a given commodity, and then enters into a contract to buy the same commodity for the same delivery month on the same futures exchange in order to eliminate the fund's exposure under both contracts, should the metrics exclude those contracts' notional amounts from any exposure figure?

From a risk perspective there should be no exposure left when a position has been closed. Offsetting is automatic when processed through the same clearing member on the same CCP.

Furthermore, from the funds' perspective, the link between leverage and counterparty risk is not a given. The two risks are not linked. Therefore, where positions are closed out with the same counterparty and result in no credit or market exposure to the fund or to the market, they should be excluded from the leverage metrics. However, if for the sake of calculation simplicity such closed out positions were to be kept, the resulting additional leverage should not be considered as resulting from counterparty risk but as the impact of the proxy leverage calculation.

Presentation of GNE, Adjusted GNE or NNE by asset class

Question 16

Would notional exposure metrics allocated across asset classes allow for more effective step 1 screening for leverage and leverage-related risks than aggregating a fund's exposure into a single figure? That is to say, would this approach more effectively achieve the goal of step 1—efficiently excluding from consideration funds that are unlikely to pose significant leverage-related risks and which thus do not warrant further analysis? Do respondents further believe that the additional inclusion of a "total" aggregated number could be of interest under the proposed approach? Please elaborate.

AMIC does not agree with the requirement that asset managers should present asset class by asset class numbers for adjusted GNE and NNE as this would result in a very significant and entirely new workload for European asset managers. However, it could be beneficial for GNE figures as it could help avoid misleading aggregated GNE figures.

Currently in Europe UCITS and AIF managers already report detailed fund inventories on a monthly basis to national authorities such as central banks in jurisdictions like Luxembourg or France. In addition, the provisions of Articles 24, 25 and Annex IV of the AIFM Directive as well as the UCITS national reporting requirements constitute significant existing EU reporting requirements that allow authorities at national and EU levels to collect data and monitor leverage limits that may pose significant leverage-related risk.

Therefore, AMIC does not believe the fund manager should be responsible for filling out a new reporting template, as suggested on page 11 of the consultation, for Adjusted GNE or NNE figures.

Breaking down the question by GNE and NNE, as we outline above reporting asset class already occurs on a GNE basis through reporting and inventory disclosure. However, an NNE breakdown asset class by class would not make sense, as most UCITS and AIFs in Europe use the commitment method to calculate leverage, which is consolidated across asset classes.

Finally, fund managers should not be responsible for aggregation of figures in addition to the already occurring reporting. This should be the responsibility of the relevant competent authority generating the Step 1 calculations, as long as they already receive detailed reporting (such as AIFMD and UCITS reporting) or even detailed inventories (such as those supplied to central banks in Europe). The purpose of a two-step approach is to introduce a simple filter as a first step and go into further details at Step 2. Any asset class by asset class measure for Adjusted GNE or NNE will make Step 1 measurements needlessly complex.

Question 17
How granular should the split of asset classes be? Would the more granular presentations in Form PF and AIFMD requirements, for example, be most informative? Should the answer depend on the type of fund or regulations that apply to the fund's use of leverage (i.e., more granularity where the regulatory scheme permits greater leverage)? Would allocating exposure across major asset classes such as equities, commodities, credit, interest rates, or currencies, provide sufficient information?

The suggestion to allow jurisdictions to tailor the granularity according to fund type, e.g. UCITS and AIFs in Europe, is supported by AMIC, however, there is no need to go further than existing reporting and detailed inventories disclosure in Europe. The purpose of a two-step approach is to introduce a simple filter as a first step and go into further details at Step 2. Any asset class by asset class measure will turn Step 1 measurements to be complex instead of simple.

Question 18
Would it be helpful to examine other details that could supplement the allocation of a fund's exposure by asset class - for example, identifying the types of derivatives instruments in which a fund invests? Different derivatives instruments can have different risks associated with them, such as different counterparty risk, or a linear risk profile (e.g. futures) versus a non-linear risk profile (e.g., options). A fund's allocation of exposure across asset classes also could include the relevant counterparty, or those counterparties to which the fund has significant exposure. Would this information be useful in evaluating potential impacts of a dealer or central counterparty coming under market stress? Do respondents think that such additional data points would provide useful information, taking into account allocation of exposure across asset classes? What other data points might be helpful in this regard?

No, AMIC strongly disagrees with the suggestion that other additional data points apart from those dealing with portfolio composition for GNE purposes would be helpful for the analysis. The current line by line reporting (comprising reporting and inventory disclosure) is sufficient for leverage calculation purposes, in particular for aggregation to be done by authorities themselves.

The purpose of a two-step approach is to introduce a simple filter as a first step and go into further details at Step 2. The addition of other measurements would be counterproductive and should be thought of as part of Step 2.

Questions on supplementary data points

Question 19
Would these data points supplement step 1 metrics in a relevant manner? Do respondents believe that certain of these supplementary data points should be given more or less weight than others? Which ones and why?

No, AMIC does not believe the suggested additional data points apart from portfolio composition would be helpful. The current line by line reporting (comprising reporting and inventory disclosure) in Europe is sufficient for leverage calculation purposes.

The purpose of a two-step approach is to introduce a simple filter as a first step and go into further details at Step 2. The addition of other measurements would be counterproductive and should be thought of as part of Step 2.

Question 20
Are there other useful data points that would supplement step 1 metrics? Do respondents consider these or other data points as part of their leverage risk management? If so, which ones and how do respondents use them?

No, AMIC does not believe any further additional data points would be helpful. The current line by line reporting (comprising reporting and inventory disclosure) in Europe is sufficient for leverage calculation purposes.

However, if IOSCO is looking for an additional filter at Step 1 which does not require any additional reporting, then fund strategy may be one to sort funds more effectively.

The purpose of a two-step approach is to introduce a simple filter as a first step and go into further details at Step 2. The addition of other measurements would be counterproductive and should be thought of as part of Step 2.

Questions on Step 1

Question 21
a) Should we consider other metrics than the one consulted on? If so, which one(s) and why?

No, the GNE combined with NNE is an appropriate framework for IOSCO to promote.

b) What's your view of the metrics detailed in appendix B?

In theory, the methodologies presented in Annex B are helpful additional measures to consider, but for the purposes of international comparability, in practice, AMIC believes a simpler approach is preferable, such as the GNE combined with NNE in this consultation.

Articulation of one or more step 1 metrics with supplementary data points

<u>Question 22</u>
Do respondents agree that none of the metrics analysed can alone provide an accurate measure of leverage of a given fund or a group of funds? Would a combination of the suggested metrics or one of such metrics with supplementary data point suffice to meaningfully monitor leverage and identify funds that may need further risk assessment regardless of the market conditions? Please elaborate.

Yes, AMIC agrees that no single metric is alone capable of providing an accurate measure of leverage. Therefore, we support an approach of combining GNE with NNE as the two measures that are simple, comparable and allow for appropriate filtering. We do not support the adjusted GNE model nor do we believe that supplementary data points are necessary for the framework.

<u>Question 23</u>
What are the challenges associated with the collection of data for each metric and/or of the supplementary data points suggested? Is the information readily available?

In EU jurisdictions there will not be significant challenges with regard to data collection, as the data is already reported on a fund portfolio basis to national competent authorities and central banks, but it will be for the authorities to aggregate the data received from fund managers.

<u>Question 24</u>
Are there other approaches, rather than the two-step framework and alternatives identified above, that respondents believe we should consider? If so, what are these approaches and what are their advantages and limitations?

No, AMIC believes that GNE combined with NNE approach in Step 1 is the best way to filter funds for potential scrutiny under Step 2.

<u>Question 25</u>
Is there one or more step 1 metrics, or specific supplementary data points, or both, that may be effective in facilitating a cross-border regulatory dialogue if collected across jurisdictions? If so, which metrics and/or data points and why?

AMIC believes GNE combined with NNE will facilitate cross-border centralisation of information as such data should be simple and comparable.

Step 2

<u>Question 26</u>
Do respondents believe that step 2 effectively reflects the inherent limitations in step 1 measures by recognising that, in step 2, regulators seeking to identify leverage-related risks may need to perform risk-based analyses that move beyond step 1 metrics? Why or why not?

Yes, AMIC agrees that Step 2 is an important part of an international leverage framework. The heterogeneity of the investment fund sector means that risk-based analysis by the relevant competent authority is highly desirable to avoid regulatory overshoot or artificial leverage limits being imposed.

It will be important for IOSCO to provide some guidance for its members in how to undertake risk-based analysis on funds identified for Step 2 scrutiny. There is otherwise a risk of divergent identification and potential stigmatisation of such funds. AMIC recommends that IOSCO promotes a discrete interaction between relevant national competent authorities and affected funds in Step 2 to better understand the risks involved.

<u>Question 27</u>
What types of more tailored or bespoke analyses do respondents believe would be most effective in step 2? Are there analyses that respondents perform, or data points that respondents consider, as part of their leverage risk management that they believe regulators should consider as potential step 2 approaches? Which ones and why?

AMIC agrees with the consultation paper's suggestion that competent authorities use market risk to determine riskiness under Step 2. Sensitivity of leveraged funds to market changes can be a key tool to Step 2 risk analysis. VaR may produce complementary information of relevance in some circumstances.

However, AMIC disagrees with the use of counterparty risk as a Step 2 analysis tool. If the aim is meant to assess the extent to which the failure of a fund can transmit financial distress to its counterparties, it would make more sense to scrutinise the banks' counterparty exposures. This assessment of the risk that the fund generates for its banking counterparties can already be done today via existing reporting requirements at the counterparties' level, in particular according to the Basel requirements related to the measurement of the counterparty exposures, banks already have to analyse and report counterparty risk as it is part of banks' counterparty risk management procedures as noted above.

From the funds' perspective, the link between leverage and counterparty risk is not a given: the two risks are not linked.

Furthermore, counterparty risk is currently already addressed in several pieces of EU legislation:
- The UCITS Directive: there are counterparty limit ratios (10%, 5%, etc.) and national regulators often require reporting of counterparty exposures (as seen in the example given in the table above);
- The AIFMD: counterparty limits must be set and counterparty exposures must be reported to ESMA and ESRB;
- Bank regulation like CRD IV/ CRR, which has a large exposure regime, allows for knowing the risk incurred by banks in their transactions with counterparties;
- The Securities Financing Transactions (SFT) Regulation, which also allows for capturing funds as counterparties (among others); and
- The European Market Infrastructure Regulation (EMIR), which allows for capturing funds as counterparties (among others) in the case of all OTC derivatives.

ENDS
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