

July 11th, 2014

Response to the Consultation Paper
Draft regulatory technical standards on risk-mitigation techniques for OTC-derivative contracts not cleared by a CCP under Article 11(15) of Regulation (EU) No 648/2012

The AFTE (French Association of Corporate Treasurers) welcomes the opportunity to comment on this consultation. Created in 1976, AFTE represents around 1 400 members, including 1 000 corporate treasurers or financial managers of approximately 800 industrial and commercial companies or groups.

Nearly all of the members we represent are below the EMIR clearing threshold and fall into the NFC- category. **Therefore, in its response, AFTE decided to focus only on key points concerning NFC-** and decided not to comment neither margining requirements nor the eligibility of collateral.

We welcome the exemption from margining requirements granted to NFC- however we would like to raise comments on the process mentioned in the Article 2 GEN - Risk management procedures in specific cases.

This article stipulates that financial counterparties and non-financial counterparties may agree not to exchange initial and variation margin. This regulation will put an operational and administrative burden on NFC- as they will have to explicitly opt out from margin requirements. We encourage the regulator to take into consideration this administrative burden and by default to exempt from margin requirements all NFC-.

This provision should be extended to NFC-'s located outside the EU as under the proposed rules EU banks would be obliged to collect margin from their non-financial counterparties if they are located outside the EU, even if these counterparties are below the clearing thresholds, which would lead to an inconsistent outcome at global level. For EU based non-financial companies this would mean that their non-EU group companies would no longer deal with group-approved EU banks and their business would be directed elsewhere. The exposures towards NFC-'s cannot be considered systemically significant for the financial system, therefore we would be in favor of an exemption for all NFC-'s for the margin requirements.

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