CFTC Initial Margin Segregation Fact Sheet
April 2014

1. What are the CFTC Initial Margin Segregation Regulations?

In November 2013, the CFTC published final rules requiring swap dealers and major swap participants to notify counterparties of their right to require segregation of initial margin ("IM") for uncleared swap transactions.

The notification must be made to an officer (your "collateral contact") responsible for the management of collateral. If no such officer is identified by the counterparty, the notification is to be made to the Chief Risk Officer of the counterparty, or, if there is no such officer, to the Chief Executive Officer. If no Chief Executive Officer exists, the notice may be given to the highest level decision-maker for the counterparty.

The swap dealer and major swap participant must obtain the counterparty's confirmation of receipt by the collateral contact for such notification.

The swap dealer and major swap participant must obtain the counterparty's election about whether or not the counterparty requires segregation of IM in accordance with the rule.

2. Why am I receiving this notification?

You have been identified as a counterparty who may post IM to Deutsche Bank AG ("DB") with respect to uncleared swap transactions. Please note the regulation applies to each such counterparty at the legal entity counterparty level (e.g., fund or managed account level)

3. What is the compliance date?

May 5, 2014, if no agreement (e.g., an ISDA Master Agreement) existed between the counterparty and DB concerning uncleared swap transactions as of January 6, 2014 ("new counterparties").

November 3, 2014, if an agreement did exist between the counterparty and DB concerning uncleared swap transactions as of January 6, 2014 (existing counterparties").

4. What right does the regulation give to counterparties that post IM?

The right to have IM segregated with a third-party custodian. This right is only with respect to uncleared swap transactions entered into on or after the relevant compliance date (May 5, 2014 for new counterparties and November 3, 2014 for existing counterparties)

5. Which custodians may hold the segregated IM?

The regulation requires DB to identify one or more acceptable custodians, one of which must be a creditworthy non-affiliate and each of which must be a legal entity independent of DB and the counterparty. DB is identifying Deutsche Bank Trust Company Americas, an affiliate of Deutsche Bank AG (the swap dealer) and State Street and Trust Company, as acceptable custodians

6. What is the cost of segregation?

The regulation requires DB to provide its counterparties with information regarding the price of segregation for each identified custodian, to the extent that DB has such information. Any pricing information provided will be for informational purposes only, and may be subject to change. If you elect to require segregation, you will need to negotiate and execute a definitive agreement with a custodian acceptable to yourself and DB

DB would expect any custodial fees, charges or costs related to IM segregation to be borne by our counterparty

7. What actions do counterparties need to perform?

First, you will receive a notice requesting the identity of, and contact

information for, your collateral contact. Please provide the necessary contact information as soon as possible

Second, your collateral contact will receive an IM segregation right notice. This notice will contain a non-exclusive list of acceptable custodians, together with relevant pricing information, if any. Counterparties subject to the May 5 compliance date will receive the IM segregation right notice from DB prior to the compliance deadline.

Third, the IM segregation right notice will have a schedule whereby you must confirm receipt of the notice and elect whether or not you require IM segregation. Counterparties subject to the May 5 compliance date will need to make their election and deliver it to DB at the address provided. Please deliver this notice well in advance of the relevant compliance date.

As the regulation prohibits DB from taking IM until your election has been received and, if relevant, executing an acceptable triparty custodian agreement, any delay in responding may inhibit our ability to transact uncleared swaps with you after the relevant compliance date. Please discuss with your DB sales representative

8. What are the implications of electing to require IM segregation?

If you elect to require IM segregation, it will be necessary to execute a tri-party custodial agreement prior to entering into any further uncleared swaps with DB after the compliance date. Such custodial agreement must be compliant with the regulation▨

You will be responsible for establishing the required communication and data information exchange capabilities with your selected custodian

As negotiating an acceptable tri-party arrangement may be time consuming, counterparties who wish to avoid trading disruptions should carefully consider their election. Please speak with your Sales representative to discuss timing prior to finalizing your election

Where applicable, your existing Credit Support Annex will need to be amended

9. What are the implications of electing to not require IM segregation?

Your existing contractual arrangements with respect to IM will be preserved. In addition, any pending or future negotiations with respect to IM segregation will not be impacted by such election

If you elect to not require IM segregation, the regulation requires DB to report to you, on a quarterly basis, whether or not our back office procedures relating to margin and collateral requirements were, at any point during the previous quarter, not in compliance with the agreement of the parties

10. What if I already have a custodial arrangement in place?

An election to segregate will require your existing custodial arrangements be amended to be compliant with the regulation. Therefore, choosing to elect segregation may inhibit DB's ability to transact uncleared swaps with you after the relevant compliance date

An election to not require segregation will preserve your existing contractual arrangements, including with respect to any IM segregation already in place. Any pending or future negotiations with respect to IM segregation will not be impacted by such election

11. What are the implications of not responding?

The regulation requires DB to obtain your election whether or not you require IM segregation. A failure to respond may therefore inhibit DB's ability to transact any uncleared swaps with you after the relevant

compliance date

12. Are there any other notification requirements?

Yes, this is an annual requirement. Each annual notification will require you to make the election discussed above. To avoid potential trading disruptions, we request that you make such election in a timely manner

13. May a counterparty change its election?

Yes. Your election may be changed at any time upon written notice delivered to DB. However, the changed election shall be applicable only to uncleared swaps entered into after the delivery of such notice⬚

14. Who should I contact with any questions?

You may contact your DB Salesperson OR

DeAWM-amer.SwapsDocumentation@db.com

⬚   For the full text of the CFTC Regulation, see 78 Fed. Reg. 66621 (Nov. 6, 2013) (adopting CFTC Regulations 23.700-23.704)

⬚   CFTC Regulation 23.701(c)

⬚   CFTC Regulation 23.701(d)

⬚   CFTC Regulation 23.701(d)

⬚   See Fed. Reg. at 66621 & n. 1

⬚   See Fed. Reg. at 66621 & n. 2

⬚   CFTC Regulation 23.701(a)(2)

⬚   CFTC Regulation 23.701(a)(3)

⬚   CFTC regulation 23.702 sets forth certain requirements which must be met if the counterparty elects to segregate

⬚   CFTC Regulation 23.701(f)

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