

**Guidelines on the selection of OTC counterparties for ETHENEA Independent Investors S.A.**

**As at: 15/04/2018**

Within ETHENEA Independent Investors S.A. (hereinafter “ETHENEA”), the selection of counterparties for OTC transactions, such as iTraxx CDS/CDX, FX forwards or FX options, is subject to the following criteria:

- 1) The counterparties’ country of establishment must be a country in the European Economic Area or one of the G10 states.
- 2) Counterparties must be approved by a state supervisory authority and be subject to state supervision.
- 3) Counterparties must specialise in OTC transactions.
- 4) Each counterparty must have a credit rating of at least investment grade.
- 5) Counterparties may not be “US Persons” according to the definition given below.
- 6) For counterparties with a rating of AAA, no collateral management needs to be agreed. Furthermore, OTC transactions with the fund’s custodian bank are exempt from collateral management obligations.
- 7) For counterparties with a rating of at least A-, a procedure must be established that provides at least monthly compensatory payments of outstanding amounts.
- 8) With counterparties that have a rating of less than A-, collateral management in the form of a credit support annex must be agreed.
- 9) The custodian bank must approve all counterparties that meet these criteria in advance after carrying out its own review.

ETHENEA shall send the relevant framework agreements to from the potential OTC counterparty for review and shall make these available to the custodian bank at the same time so that it can carry out its own review.

After these reviews are complete and consensus has been reached between ETHENEA, the custodian bank and the OTC counterparty, the agreements shall be signed and the relevant internal procedures for entering into a business relationship shall be initiated.

The custodian bank is exempt from this procedure in its capacity as counterparty for OTC FX forwards of the fund. Due to the specific contractual relationship, there is generally no need for collateral management.

**Definition:**

“US Persons” are, in brief, legal entities domiciled in the United States of America as well as their foreign subsidiaries (e.g. Citibank New York and Citibank London Branch). In addition, legal entities are classified as “US Persons” if their principal place of business is in the United States of America, irrespective of their place of establishment.

“Special Entities” are a subset of “US Persons” and are government institutions such as federal agencies, federal states, state agencies, cities, counties or similar, or companies in which one of the aforementioned government institutions holds a direct or indirect stake.