

**RESPONSE OF AXA INVESTMENT MANAGERS TO
JOINT DISCUSSION PAPER ON DRAFT REGULATORY TECHNICAL STANDARDS
ON RISK MITIGATION TECHNIQUES FOR OTC DERIVATIVES NOT CLEARED BY A
CCP UNDER THE REGULATION ON OTC DERIVATIVES, CCPS AND TRADE
REPOSITORIES**

1) Initial Margins

We are in favour of a fourth option (not provided in this Discussion Paper) in which neither party is requested to post initial margins. Indeed, initial margins are not market practice today and our group entities never post/receive such initial margins. If these entities were to post initial margins to their counterparties, this would represent a considerable additional cost for them. We believe that the risk that ESAs are trying to capture with these initial margins is already taken into account in the capital constraints of our counterparties and consequently in the price of the transactions given by our counterparties.

If initial margins become mandatory and market practice, we strongly believe that they should be posted / received on a bilateral basis as described in Option 1 of the Discussion Paper. Besides, the way they will be calculated should be very clear in order to allow us to easily challenge the calculations made by the banks. Besides, we are strongly in favour of a threshold approach – as suggested in Option 3 of the Discussion Paper – i.e.: the parties to an OTC transactions will not need to post each other initial margins if their exposure is below a certain threshold.

2) Margin calls

We believe that mandatory daily margin calls could be very expensive and hard for some entities to manage operationally. We are in favour of weekly and daily on demand margin calls and believe that the concept of Minimum Transfer Amounts (MTA) should be kept.

3) Segregation

We are fine with the segregation of collateral approach. We think that collateral should be segregated at our custodian in order to limit daily moves of cash and/or securities.

4) Eligible collateral

We are in favour of non-exhaustive list of eligible collateral. We suggest that qualitative criteria (such as liquidity, ratings, valuation availability etc.) should be used to determine which assets should be considered by the parties as eligible collateral and which ones should not.