

FTT and Securities Lending, Impact Analysis and Data methodology

(All data provided by Markit Securities Finance (MSF))

On loan balances and lendable

The Global Market

| | Euros Mns | |
|------------------|-------------------|------------------|
| | Lendable | On loan |
| Government Bonds | 1,898,251 | 636,902 |
| Corporate Bonds | 2,096,051 | 145,644 |
| Equities | 6,730,970 | 726,698 |
| | 10,725,271 | 1,509,244 |

Lendable.

This represents the value of securities made available by long term investors in lending programmes

On Loan.

This represents the value of securities on loan and reflects the demand to borrow securities against available supply or lendable.

Europe

| | | |
|------------------|------------------|----------------|
| Government Bonds | 794,158 | 257,975 |
| Corporate Bonds | 647,552 | 69,833 |
| Equities | 1,585,434 | 268,351 |
| | 3,027,144 | 596,159 |

European Securities lending markets represent circa 40 % of all global activity.

Europe FTT 'in'

| | | |
|------------------|------------------|----------------|
| Government Bonds | 482,107 | 154,812 |
| Corporate Bonds | 402,104 | 48,277 |
| Equities | 603,174 | 180,022 |
| | 1,487,385 | 383,111 |

FTT 'in' securities represent 65% of all activity in Europe with over 40% of on loan securities being Government Bonds, predominantly German and French which comprise over 90% of

Revenues to long term investors

Using data provided by MSF we have calculated that annualised global securities lending revenues are Euro 8.1 billion of which Euro 3.1 billion is directly attributable to activities involving European issued securities. Of this some Euro 2 billion is derived from Euro 'in' securities. Although not part of this analysis any securities lending undertaken by lenders domiciled within the Euro FTT zone involving non Euro securities would also be subject to FTT. This will further undermine revenues to long term investors.

| Global Market | Annualised Total Returns |
|---------------------------|--------------------------|
| All Securities | 8,189,979,500 |
| European Government Bonds | 437,270,000 |
| European equities | 2,718,520,000 |
| | 3,155,790,000 |
| FTT 'in' Government Bonds | 262,407,257 |
| FTT 'in' Equities | 1,823,706,614 |
| | 2,086,113,871 |

Loan fees and duration

Securities issued by FTT 'in' zone countries

| | Average SL Fee per market (bp) | Average Tenure per market (days) | Return per Loan (bp) |
|--------------------------|--------------------------------|----------------------------------|----------------------|
| Austria Govt Bond | 17 | 147 | 6.9 |
| Belgium Govt Bond | 16 | 76 | 3.5 |
| Estonia Govt Bond | - | - | - |
| France Govt Bond | 18 | 140 | 6.8 |
| Germany Govt Bond | 13 | 77 | 2.8 |
| Greece Govt Bond | 99 | 33 | 9.1 |
| Italy Govt Bond | 13 | 55 | 2.0 |
| Portugal Govt Bond | 233 | 47 | 30.1 |
| Slovak Govt Bond | 27 | 86 | 6.5 |
| Slovenia Govt Bond | 73 | 95 | 19.2 |
| Spain Govt Bond | 31 | 61 | 5.3 |
| Austria Equity | 142 | 75 | 29.4 |
| Belgium Equity | 174 | 48 | 23.0 |
| France Equity | 176 | 58 | 28.7 |
| Germany Equity | 188 | 65 | 33.8 |
| Greece Equity | 1,076 | 207 | 617.3 |
| Italy Equity | 177 | 58 | 28.5 |
| Portugal Equity | 186 | 56 | 28.7 |
| Spain Equity | 268 | 68 | 50.5 |
| Average Euro 'in' | 79 | 82 | 17.9 |

Based on the above analysis –

- At least 65% of European securities lending market would be directly impacted by the FTT.
- Over Euro 2bn of revenues would be lost to long term investors.
- Further revenues would be lost where Euro 'in' domiciled lenders previously lent non euro securities.
- Approaching Euro 500bn of Euro Government Bonds would be removed from the lending/ collateral market.
- The proposed FTT would make Securities Lending markets prohibitively expensive across the participating Member States including the significant markets in Germany and France that account for over 90 % of FTT 'in' activity.

Assumptions and calibrations

Markit Securities Finance (MSF) collects loan data from lenders and borrowers and we estimate covers in excess of 85% of the market globally. Data is collected on a daily basis from all market participants.

For the purposes of this analysis volume data is based upon a single data snap shot, as at 16th May 2013. Revenue information is derived from annualised averages for the prior 12 months.