EMA : Confirmation & Legal Backgrounds
Confirmations & Legal Set up

**Backgrounds**

Confirmation underlines the financial commitment of both counterparties including all financial data of a given trade. Confirmation always refers to the Master Agreement undersigned with counterparties under Legal liability.

These agreements make OTC trades safer in the market thanks to rules agreed between each other which standardize & normalize trades and the way to handle it. In Financial markets, such agreements are usually cross assets. All added disclosure has to be agreed by Legal department as a first step.

ISDA Master Agreements is used in most cases for CACIB trades with its counterparties for all products (derivatives, credit trades FX or Repo). However, other kind of contracts can be used in some cases:

- EMA ones
- Local agreement (FBF for France, RamenVertrag for Germany, CMOF for Spain)

In case no Master Agreement is undersigned with counterparties, we can draft & send a Long Form – ISDA confirmation including all terms & conditions in a given situation.

- FBF: Fédération Française de Banque ex Association Française de Banque
- EMA: European Master Agreement created in the early 2000s.

**CA CIB experience**

Hereunder is the kind of Master Agreement used regarding our counterparties in Derivatives activity in 2018 (all trades out of Markitwire).

- ISDA is from far used here.

### Master Agreement Usage

<table>
<thead>
<tr>
<th>Master Agreement</th>
<th>Volume</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISDA</td>
<td>5025</td>
<td>69.85%</td>
</tr>
<tr>
<td>DRV</td>
<td>33</td>
<td>0.46%</td>
</tr>
<tr>
<td>AFB/FBF</td>
<td>2129</td>
<td>29.59%</td>
</tr>
<tr>
<td>CMOF</td>
<td>7</td>
<td>0.10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7195</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Main reasons why EMA is not used:

- We are dealing asset per asset -> no need to use the advantages proposed by EMA to make it global (resiliation…)
- No regular update of Opinions (in comparison with ISDA ones, FBF…)
- Internal Governance topic (text 5.1)