

Richard Raeburn
Chairman – European Association of Corporate Treasurers
20 rue d'Athènes
75 442 Paris Cedex 09
France

22nd April 2013

Dear Mr Raeburn,

I would like to thank you on behalf of J.P. Morgan for your letter of 28 March which seeks clarity regarding our position on the proposed exemption for CVA market risk capital requirement for non-cleared transactions with corporate (as well as pension fund and certain sovereign) counterparties that was recently agreed in the revised Capital Requirements Directive (CRD IV). We certainly understand the concerns of the European treasurers' community in this matter and I hope this response will help allay some of your members' urgent concerns.

I would like to give you our reassurances that J.P. Morgan has not called for a repeal of the CVA exemption. We understand the position of the European corporate community many of which are our valued and respected clients. We do have concerns around the CVA issue as it does create competitive inequities because the US and other jurisdictions do not plan to adopt such an exemption when applying the Basel III framework.

Advanced banks capitalize counterparty credit risk themselves today, which is priced into transactions and so the concept of a CVA capital charge has merit. However, our view is that the actual Basel Committee's methodology is flawed. Moreover, we agree with you that as a result the Basel approach is bad for banks and their clients and that it should be fixed on a globally consistent basis to better align to the actual risks.

We fully understand the concerns you raise in your letter and deeply regret if our corporate customers have been alarmed by this issue. I would like to reiterate that we have not called for authorities to revoke the exemption for corporate end users but we have drawn attention to the inconsistency in the hope that regulators will seek to modify the methodology and calibration of the CVA charge. We always have our client's best interests at heart. We need a regulatory regime that allows us to compete fairly and to serve them the best way possible.

Yours sincerely,



Daniel Pinto
Co-CEO Corporate & Investment Bank

J.P. Morgan Securities plc.

25 Bank Street, Canary Wharf, London, E14 5JP

Tel: +44 (0)20 134 4536 · Fax: +44 (0)20 3493 1429 · daniel.pinto@jpmorgan.com

Registered in England & Wales No. 271006. Registered Office 25 Canary Wharf, London, E14 5JP. Authorised and regulated by the Financial Services Authority.