

KfW is 100% owned by the Federal Republic of Germany and the Federal States of Germany. KfW also said its obligations are fully guaranteed by the Federal Republic of Germany, pursuant to statute. Because of this guarantee, KfW does not post collateral (in the normal sense) with respect to its swaps. KfW is concerned that for this reason, its current uncollateralized exposure under the major swap participant ("MSP") tests would be high and it could be designated as an MSP. KfW said, however, that it does not raise systemic risk because of its public mandate as promotional or development bank, its corresponding business model and the guarantee and it therefore should not be designated as an MSP. KfW said designation as an MSP would raise the cost of fulfilling its public mandate. On the point that a person should be designated as an MSP if it has very large swap positions, even if the person itself does not pose systemic risk, because such person may unwind its large positions in times of market disruption, KfW said that they believe that even in a financial crisis its book of interest rate and foreign exchange swaps would not fuel the adverse effects of a crisis, because as a user of derivatives for hedging purposes KfW seeks to maintain its market risk exposure at a minimum and would not be liquidating large positions. The only time KfW needed to trade on a large portfolio was when one of its counterparties became insolvent, in which case KfW had to re-hedge its open positions resulting from the insolvency of the counterparty. Also, KfW said the requirements applicable to MSPs are generally not attuned to resolving any issues that might arise from large swap positions in times of market disruption, so such positions should not be a basis for MSP status but might be a separate subject for regulation.

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**Gelöscht:** be difficult to liquidate (if necessary) or that its holding large swap positions would otherwise