



FTR Undiversified Credit Requirement

Problem / Opportunity Statement

The current undiversified credit adder for net counterflow FTR portfolios was designed in 2008 in response to defaults on portfolios that had net counterflow positions in an area that experienced congestion over an extended period. A recent high-level analysis of credit requirements for net counterflow portfolios showed that there were noticeable numbers of net counter flow portfolio months with high credit requirements and low exposure as well as noticeable numbers of net counterflow portfolios with low credit requirements and high exposure. It seems appropriate to consider whether alternative credit requirements might be able to target the exposure posed by net counterflow portfolios better than the current requirements.