

Market Practice Note:

Successor Source for FX Screens 1FED and 1FEE

Following the Federal Reserve Bank of New York's announcement of the discontinuance of FX pages 1FED and 1FEE, ISDA hosted a call for members to discuss a possible Successor Source. The following Market Practice Note is the outcome of this call. Adherence to the agreement below is as always voluntary and parties are free to bilaterally agree on a different source should they wish to do so.

Agreement:

- There was agreement on the call that in the absence of an official Successor Source, parties will use the following rate source as the natural successor to screens 1FED and FEE which ceased to publish on a daily basis on December 31, 2008:

WM/Reuters Closing Spot Rate (4p.m. fix)

Asset classes covered by this agreement:

- Participants agreed that the aforementioned consensus shall apply to all FX products.
- The ISDA Operations Commodities Working Group discussed this change with regards to outstanding commodity transactions. There was no clear consensus as to which source shall be deemed the natural successor for commodity transactions, and it's therefore up to the individual parties concerned to bilaterally agree on this.
- The ISDA Operations Interest Rates Products Working Group members reported that these screens were not used in connection with rates transactions.

Legacy/Live trades:

- Some firms mentioned that they had already sent out notifications, revised Confirmations or even sideletters to reflect this change. There was general agreement that there is no need for ISDA to publish a sideletter and we leave it up to the individual institutions to address this point bilaterally.
- Treatment of trades that take an average of 1FED over a Calculation Period that includes both pre and post December 31 days:
Since 1FED was being replaced part way through the Calculation Period, the group agreed to use the 1FED rates up until December 31, and to then use the WMR rate for the days thereafter. There was a consensus that one shall not backdate the WMR rates for the whole period.

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Each party following the recommendations contained in this Best Practice Statement should satisfy itself that those recommendations are appropriate to reflect the commercial intentions of the parties.

Additional Information:

- The noon Fed FX rates will still be made available every Monday, for the previous business week. The page is Reuters Screen <FEDFX>. We assume that due to the delay of publication, this page will no longer be considered suitable for the purposes of the products discussed on the call.
- The WMR rates mentioned above can be seen on Reuters Screen <WMRSPOT01> (WM Company/Reuters 4PM Spot). This content is fee liable so please contact your Thomson Reuters sales person if you need to obtain the appropriate subscription.

Firms represented on the ISDA call:

Royal Bank of Scotland, Goldman Sachs, Deutsche Bank, Citi, Bank of America, BNP Paribas, Mitsubishi UFJ, Merrill Lynch, Nomura, Credit Suisse, UBS, Mizuho Capital, Barclays Capital, Morgan Stanley, JP Morgan, Wachovia, Prudential Global Funding, Thomson Reuters, Bloomberg, ICAP, Ashurst, Wells Fargo and Standard Chartered.

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