

July 19, 2006

To Our Fellow Credit Derivatives Market Participants and Clients:

Tremendous industry progress has been made over the past ten months in reducing risk and improving efficiency throughout the credit derivatives industry. The 14 industry dealers called together by the Federal Reserve Bank have been working with The Bond Market Association (BMA) and Managed Funds Association (MFA) to design processes and develop the infrastructure to allow us to achieve our shared goal of a stronger industry. ISDA, through its credit derivative market practice, operations, documentation and derivatives user committees, has continued to pursue initiatives in furtherance of that shared goal.

The fourteen dealers have committed to provide transparency to the market through:

- Continuing to work closely with the members of the BMA and MFA who have represented their constituencies at weekly industry meetings since March;
- Supporting client requests to backload existing transactions onto DTCC or equivalent electronic confirmation matching platforms;
- Active participation in the relevant ISDA committees, including consideration of the new credit event settlement mechanics; and
- Additionally, monthly dealer metrics have been provided to the regulatory community since September 2005.

However, we need your continuing involvement and support to meet industry-wide targets planned for adoption in October 2006:

- Confirmations for electronically-eligible products such as indices, single names and tranching indices are to be submitted to electronic platforms by dealers by T+1 business days and matched/affirmed by T+5 business days;
- Confirmations for all other products are to be issued by dealers by T+10 calendar days, with client reply (with either issues or agreement) by T+20 calendar days, and then both sides are to work together in good faith to resolve open issues and achieve execution by T+30 calendar days;
- Please refer to the March 10 letter, attached, for full details about these targets.

We encourage all market participants to follow the guidelines presented below:

- Continue progress towards electronically confirming a higher percentage of trades for all credit derivative products;
- Market participants on DTCC should seek to adopt new DTCC functionality (e.g., tranching indices) as soon as possible after launch;
- Engage with dealers on a bilateral basis to backload existing transactions onto DTCC or an equivalent electronic-matching platform where needed to facilitate electronic processing of assignments;
- Continued diligence in prompt execution of assignment confirmations;

- Use of the standard RED names or the Pair CLIP (9 digit) or Entity CLIP (6 digit) code for all transactions;
- Utilize the ISDA Matrix to facilitate the processing of confirmations without the need for bilateral ISDA Master Confirmations to be signed between parties; and
- Ensure you are satisfied that you have adequate resources and internal procedures to meet the “Business as Usual” confirmation turnaround targets described above and planned for industry adoption in October.

It is clear to all of us how important collaboration between the sell and buy-sides has been to the industry’s success to date. We look forward to continuing to work with you on all of the important steps discussed above.

Yours sincerely from:

Bank of America, N.A.
Barclays Capital
Bear, Stearns & Co.
The Bond Market Association (BMA)
Citigroup
Credit Suisse
Deutsche Bank AG
Goldman, Sachs & Co.
HSBC Group
International Swaps and Derivatives Association, Inc. (ISDA)
JP Morgan Chase
Lehman Brothers
Managed Funds Association (MFA)
Merrill Lynch & Co., Inc.
Morgan Stanley
UBS AG
Wachovia Bank, N.A.