

**ISDA's Comments on the Central Bank of Ireland's
Draft-Rules on Credit Derivatives**

February 2000

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Introduction

The International Swaps and Derivatives Association, Inc (“ISDA”) is keenly interested in the regulatory treatment of credit derivatives. ISDA’s primary purpose is to ensure that the benefits accruing from the use of these products for risk management purposes are adequately reflected in their capital treatment. ISDA commented on draft policy guidelines issued by several regulators around the world, and has carried out extensive work on documentation, which includes the development of standard definitions and confirmations for such instruments within the scope of the ISDA Master Agreement.

ISDA firmly believes that credit derivatives provide a useful contribution to the management of credit risk. Unfortunately, the current international capital adequacy framework does not deal adequately with these instruments. It is hoped that the on-going review of the Basel Accord will ensure that the treatment of credit derivatives mirrors more accurately their risk mitigation benefits. Meanwhile, clear regulatory guidelines from the Central Bank of Ireland (CBI) should allow banks operating in Ireland to use and trade credit derivatives in a more transparent and risk sensitive regulatory framework. It is our sincere hope that the CBI will find the following comments useful and we look forward to a further exchange of views.

This paper is divided into five parts that deal with definitions; the treatment of protection buyers in the banking book; the trading book regime; the treatment of baskets and the reform of international rules on capital adequacy. We are also very concerned with the recognition of close-out netting for credit derivatives in Ireland and would welcome clarifications on this highly important matter.

The CBI draft-rules were discussed with the Irish Bankers’ Federation. ISDA supports the Federation’s comments.

I. Credit derivatives: definitions

To add further clarity to the definitions laid out in the CBI guidelines, ISDA suggests that the CBI makes use of the credit derivatives definitions recently published by ISDA. These definitions attempt to codify and standardise the terms used in credit derivatives contracts. The following terms might be of particular interest:

- *The Reference Entity* is the entity upon whose credit the contract is based.
- *The Floating Rate Payer* (Protection Seller) may discharge its liability under the contract by taking delivery of a Deliverable Obligation of the Reference Entity from the Fixed Rate Payer (Protection Buyer) and paying the par amount of it. In practice, the vast majority of credit derivatives settle in this way i.e. by physical delivery, and Cash Settlement is usually only used as a fallback.
- *A Deliverable Obligation* is any obligation of the Reference Entity that the contract specifies may be used in settlement of the contract as above. For example a Deliverable Obligation might be any obligation of the Reference Entity, as principle or guarantor, ranking pari passu with the Reference Obligation.
- *The Reference Obligation* is a uniquely specified obligation of the Reference Entity. Its main purpose is to provide a basis for cash settlement where applicable. It may also be used to define the seniority of Deliverable Obligations.
- A range of *Credit Events* is defined for each credit derivative contract. These are usually fairly wide ranging and are not limited to events affecting the Reference Obligation.

II. Banking book: Protection buyer

1. Substitution approach: notes on risk transfer

ISDA agrees with the CBI that there should be control systems in place to handle credit derivatives. However, we are puzzled by the statement underlined below:

“... institutions must ensure that the correlated credit risk which can arise in credit derivative products is also recognised in the systems and in this regard it is important that the degree of correlation between the default of the reference asset and that of the protection seller be considered. The effectiveness of risk transference is questionable if the default of the reference asset and the protection seller are highly correlated...” (Section 2.0, §2).

This statement appears to contradict one of the key justifications behind the establishment of capital requirements for credit derivatives: the possible existence of a significant default correlation between the underlying issuer and the guarantor.

The conservative guarantee treatment¹, which the CBI retains, postulates maximum default correlation between the underlying issuer and the guarantor. The requirement set out above by the CBI regarding the effectiveness of risk transfer is in this respect in contradiction with the assumption underpinning the capital rules.

¹ I.e. the replacement of the risk weight of the underlying by that of the guarantor.

ISDA feels very strongly that there needs to be consistency between prudential objectives and the specific regulatory requirements imposed on the industry. We would thus argue that the underlined statement above should be abandoned. From a more fundamental standpoint, however, and although this can probably only be addressed in the context of the Basel Accord review, we view the substitution approach as unduly conservative, since for most pairs of obligors default correlation is significantly below the theoretical maximum.

2. Maturity mismatches: the “sliding scale” approach

The draft rules read:

- “(i) Where the residual maturity of the credit derivative is less than one year no risk reduction is recognised.
- (ii) If the residual maturity of the credit derivative is one year or more the protection may be recognised but subject to an additional capital charge for the future credit exposure. The future credit exposure is treated as a commitment with an uncertain drawdown, i.e. 50% credit conversion factor against the risk weight of the underlying asset. For example, the overall weighting of an asset with a 100% weighting guaranteed by an entity with a weighting of 20% but with a maturity would be 70% (50% plus 20%).” (Section 4.1.4.)

In our view, a simplified approach to maturity mismatches needs to approximate and give credit for the extent of hedging provided by a short credit risk position in relation to an underlying long credit risk position. In this respect, we believe that the most straightforward approach would be to adopt a “straight line” or sliding scale method. Under this method, offsets would be allowed to the extent that the maturity of the hedge covers the underlying. For example, a 10-year bond hedged by a 9-year credit default option on that bond would be treated as 90% offset.

This approach does not address whether the residual exposure is a back-end or front-end risk or, in the case of the former, how soon this arises. Ideally, the credit risk capital regime needs to address these maturity related-issues via accounting for term structure. However, our proposals are designed as a simple and discrete amendment to the current regulatory framework, which itself already does not account for these factors.

Importantly, the “sliding scale” approach has been retained as a basis for charging for maturity-mismatched protection and forward credit risk by a number of regulators.

3. Currency mismatch

The CBI proposes to recognise risk reduction for currency mismatched credit derivatives only where the position is revalued daily. We believe there should also be a recognition of the risk reduction where the credit institution can demonstrate to the CBI’s satisfaction that it has hedged the currency mismatch.

III. Trading book

1. Trading book eligibility

ISDA is very concerned about the criteria for trading book eligibility laid out in the CBI guidelines. Specifically, there is no prudential justification for treating credit derivatives any differently than other trading book instrument. Hence, the only requirements for admission in the trading book should be that:

- a) the instruments are held for trading purposes; and
- b) that they are marked-to-market

We strongly oppose any extra requirements such as the following (specified in Section 4.0 of the CBI guidelines):

- Liquidity of the market
- Recent award of rating to securities issued by the reference issuer
- Sufficient presence and experience in the credit derivatives market
- Reliable pricing models and sources of market information

The rules above carry the danger of restricting access to the Irish credit derivatives market to a very limited number of banks, hence stunting the market's growth and stifling both competition and innovation.

On a point of detail and for the sake of clarity, ISDA would like to suggest that the CBI makes explicit whether *loan referenced credit derivatives* are eligible for trading book treatment. We would argue that as long as such credit derivatives meet the general trading book eligibility criteria set out above, they should be eligible for inclusion in the trading book.

2. Counterparty risk add-ons

ISDA believes that there is normally a fundamental difference in the counterparty risk exposure assumed by a seller of credit protection and the buyer of that protection. This then raises the question of how best to capture this risk for regulatory capital purposes. In this respect, we note that the current international standards for counterparty risk are deficient in a number of respects (e.g., the broad, basic add-on charges and crude recognition of PFE netting) and that a model-based approach provides a better means of capturing this risk accurately in general, and in relation to asymmetric credit protection counterparty risk in particular.

However, there is a need, in the interim, to accommodate credit derivatives in the current regime based on current marked-to-market exposure plus notional principal value multiplied by an add-on. In this context, the only variable in the current regulatory regime open for adjustment is the particular add-on to apply. We therefore think that, as a general rule of thumb, the asymmetry of risk may be approximated by applying equity add-ons to protection buyers and interest rate add-ons to protection sellers. This is, however, a relatively blunt rule and it will be necessary to allow flexibility to modify charges in particular cases and depending on the exact structure involved. For example, in the case of a credit default option where all premia have already been received there is clearly no need for a charge, as would be the case with existing option products on other underlying instruments.

We would note that imposing higher add-ons on protection buyers than those applied to equity holdings would be illogical, considering that equity is the most junior form of debt and that credit derivative reference assets are of equal, if not usually higher, seniority.

There is furthermore a strong case for differentiating between qualifying and non-qualifying underlyings in assigning counterparty risk add-ons for protection buyers, with equity add-ons applying to the latter, and interest rate add-ons, to the former. ISDA notes that the CBI proposes to retain this approach, but only where the reference asset is a bond. We would argue that this should also extend to credit derivatives referenced to loans.

3. Trading book capital requirements

Concerning the *trading book regime*, ISDA agrees with the general approach adopted by the CBI. As with other derivatives in the trading book, credit derivatives should be subject to capital charges under either the standardised rules or an internal model. Under the latter, the instruments would be subject to analysis by an approved value-at-risk (VAR) model subject to the Basle qualitative and quantitative models standards. Under the former, specific and general market risk charges normally apply.

However, it is important to note that for credit derivatives, the general market risk requirement may well, in fact, be inapplicable. This is because for some instruments the structure of the product allows for interest rate risk to be immunised.

3.1. VaR models

ISDA believes banks should be allowed to use models for trading book capital charges. The instruments would be subject to analysis by an approved value-at-risk (VaR) model subject to the Basle qualitative and quantitative models standards.

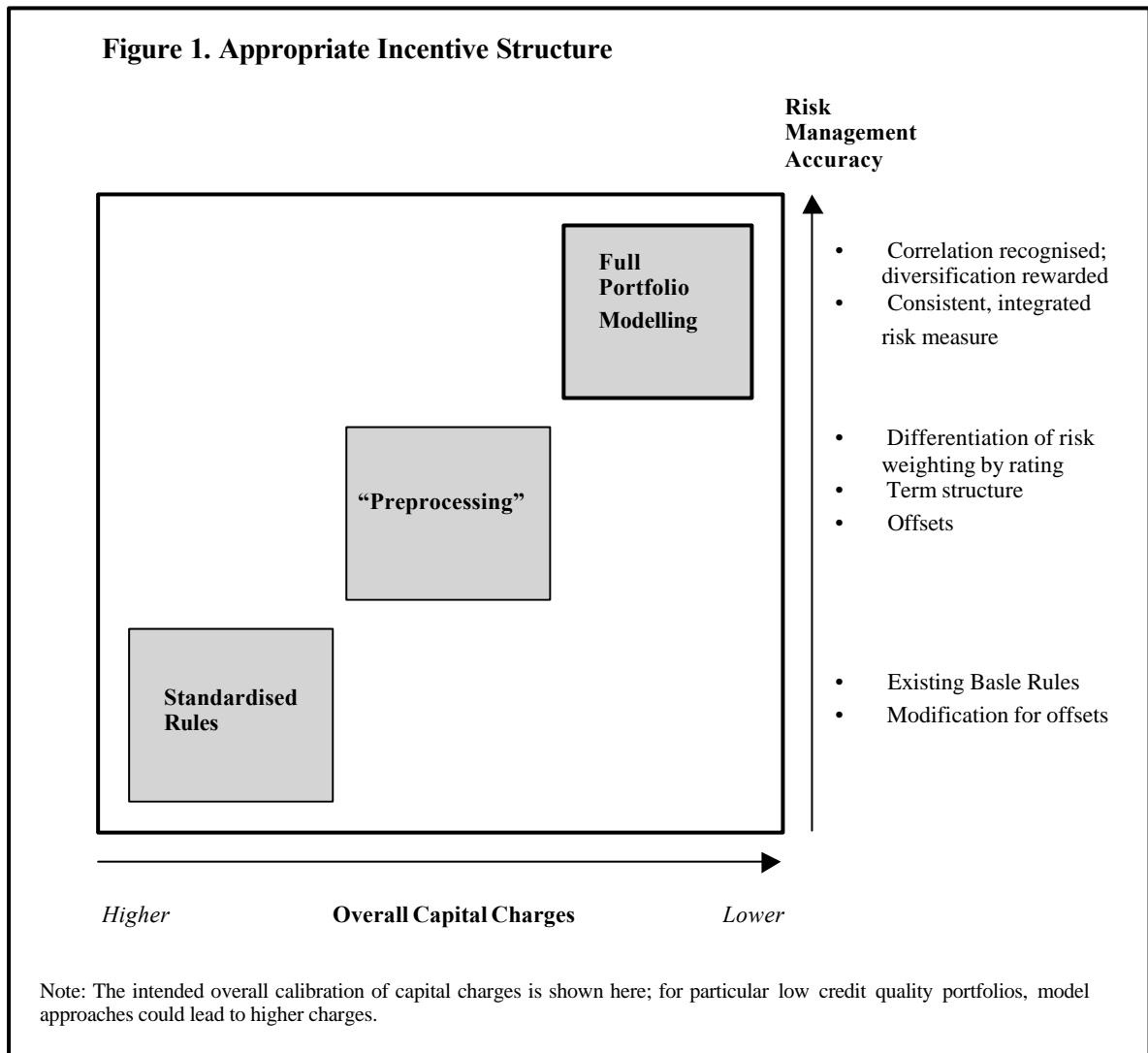
Models make it possible for firms to incorporate offsets in the capital calculations by modelling:

- **forward credit risk** arising where the maturity of the hedge is shorter than that of the underlying (maturity mismatch), or
- **recovery rates and default correlation** when the hedge is referenced to an instrument distinct from the underlying. Models by definition reflect internal risk management and offer a comprehensive, dynamic, portfolio view of risk.

3.2. “Preprocessing” models

ISDA acknowledges, however, that some firms may not be able to run full risk models, at least in the short term. To foster firms’ endeavours to go beyond the standard rules, regulators should allow the use of simplified models. Although these models provide rougher measures of risk than full models, they approach risks with more accuracy than the standard method. More importantly, they can be calibrated to produce more conservative capital requirements than full models, notably with respect to the treatment of offsets. This should in our view appease possible prudential concerns. Regulators would recognise simplified models on a case by case basis, based on an extensive discussion of their relative advantages and drawbacks with the firms’ risk managers.

ISDA would encourage the CBI to refer explicitly to the possible recognition of simplified modelling. We would be happy to provide more details about these “pre-processing” models, which are allowed under the Basle Committee regulations.



3.3. Specific risk: Treatment of Credit Linked Notes (CLNs)

The CBI rules read:

“The calculation of specific risk capital requirements depends on the individual contract. In a single asset contract the specific risk is that of the reference asset. For credit linked notes there is the additional specific risk in relation to the note issuer” (Section 5.1.)

It is not clear to us why there is an additional charge in the trading book, where the banking book rules establish no such charge for CLNs.

VI. Basket credit derivatives

The CBI rules read:

“If, on termination, the payout depends on whichever reference asset defaults first, capital should be held against each of the assets in the basket...” (Section 4.2.3.)

ISDA would like to urge the CBI to reconsider its proposed treatment of first-to-default basket products. The sum of risk weights approach, whereby the protection seller is regarded as exposed to every single asset in the basket, is unduly conservative. It effectively assumes independence in default between the underlying exposures, a worst case which cannot realistically underpin the capital requirements.

ISDA would argue in favour of a case-by-case approach, where firms are allowed to take into consideration the default correlation between the assets in the basket, subject to approval by the regulator. This should at a minimum be achievable where an obviously strong correlation exists within the basket (exposures to legally connected counterparties, assets the quality of which is primarily influenced by the health of a given country’s economy).

In any case, if the proposed treatment of protection sellers is adopted, there is no rationale for restricting the ability of the protection buyer to choose which asset in the basket is hedged : where the seller is seen to acquire the quasi entirety of risk, the buyer should be able to select the asset of his choice for credit risk offsetting purposes.

V. Amending the international framework

ISDA has long pressed regulators to launch a fundamental review of the capital adequacy framework, with the aim of making it more risk-sensitive, dynamic and flexible. A number of the prudential questions posed by credit derivatives can be solved if the regulators accept to place more reliance on the banks’ own risk management systems. Offsets are a case in point in this respect.

As the CBI is aware, ISDA has published initial proposals for reform in this area (see ISDA’s March 1998 paper “Credit Risk and Regulatory Capital” on our website at www.isda.org). We would like to take this opportunity to invite you to consider the merits of our proposals for an evolutionary models-based approach. We believe that this framework provides a way to adapt the current rules to recent innovations in credit risk management, while both recognising differences between banks and providing prudent incentives to improve risk management practice.

ISDA strongly welcomes the initiative taken by the Basle Committee of publishing a consultative document on the Basle Accord review (June 1999). We are currently working on a response and will be glad to share it and discuss it with the CBI once it is ready.

ANNEX I: Risk Management Benefits of Credit Derivatives

In the same way as equity, commodity, foreign exchange and interest rate derivatives enable the management and transfer of a variety of types of risk, credit derivatives enable institutions to manage credit risk. Banks and other financial institutions provide credit intermediation services. As a result, they are constantly subject to credit risk. Credit derivatives provide these institutions with powerful tools to manage such risk exposures. For example, credit derivatives allow banks to isolate and transfer their underlying loans in a way that may not otherwise be possible due to legal or relationship reasons. In addition, the instruments may help strengthen the quality of a bank's loan portfolio, counteracting the loss of higher quality credits to the securities markets.

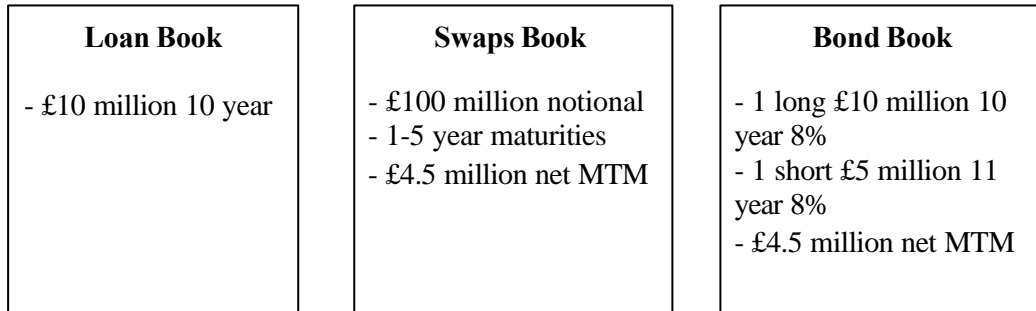
It is important to recognise, however, that the benefits of credit derivatives extend not only to the full range of exposures arising from commercial banking but also to exposures from trading activities. Credit derivatives may, for example, be used to hedge a concentrated position in an issuer's bonds or securities. Similarly, an institution could protect itself against default from a current net mark-to-market counterparty exposure in its swaps portfolio by entering into a credit derivative transaction.

Private sector financial institutions are moving towards such a "portfolio approach" to credit risk management, recognising that an institution's true net credit exposure can only be analysed across the full range of its instruments. Credit derivatives are an important component in the development of this approach, as they can provide greater customisation, ease of execution, enhanced liquidity and price transparency for credit risk. They are also of vital importance for the traditional credit risk management methods of diversification, securitisation, and the development of credit policies and limits. In sum, credit derivatives make it easier for institutions to realise the July 1994 Basle/IOSCO risk management guidelines goal "to evaluate credit risk at the customer level across all products."

We are convinced that the supervisory framework for credit derivatives should adequately encourage or accommodate this development toward an integrated approach to risk management. The current rules apportion credit risk into three categories: banking book credit risk, trading book specific risk for each issue and counterparty risk from each book, rather than facilitating an integrated approach to this risk and its management with credit derivatives. The attached figure shows an example of an integrated approach to risk management.

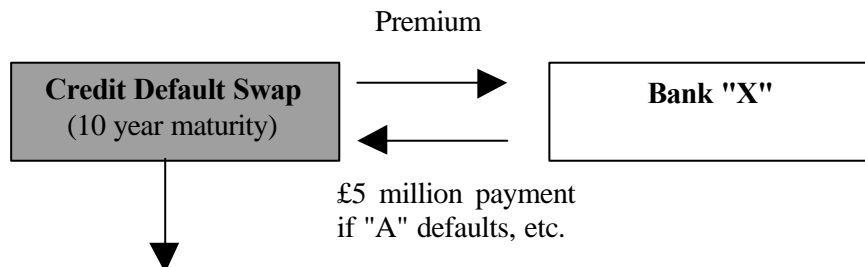
An Integrated Approach to Credit Risk Management

Three sources of exposure to bank "A":



TOTAL* CREDIT EXPOSURE TO BANK "A" : £ 20 MILLION
 (£10 million loans) + (£5 million current + potential future exposure)
 + (£5 million net** specific risk)

THEN, TO HEDGE £5 MILLION OF EXPOSURE:



NET CREDIT EXPOSURE TO "A": £ 15 MILLION

* Risks for different books are simply summed, more advanced portfolio credit risk management might permit recognition of long and short credit risks in different books.

** Note that supervisory rules would not permit such netting because of maturity mismatch.

ANNEX II: Credit Derivatives Documentation

One of ISDA's primary roles is the development of standard form documentation for use in preparing privately negotiated derivatives transactions. ISDA has developed detailed documentation for use in relation to a wide variety of transactions including equity, foreign exchange, commodity, government bond and bullion derivatives.

ISDA first became involved in the development of standard form documentation for the credit derivatives markets in 1996 and, in late 1997, published the Confirmation of OTC Credit Swap Transaction, Single Reference Entity, Non-Sovereign, a long form confirmation intended for use in the market for credit default products. Experience with this long form confirmation led to the publication, in July of this year, of the 1999 ISDA Credit Derivatives Definitions (the **Definitions**). The Definitions are intended primarily for use in documenting credit default transactions, although a number of the provisions contained in the Definitions could be useful in documenting other types of credit derivative transaction. ISDA is currently developing a User's Guide to the Definitions and intends to publish that documentation early in the New Year.

As the markets for other credit derivatives products, such as total rate of return and credit spread transactions, increases, ISDA may become involved in the development of further standard form documentation for use in the credit derivatives area.

ANNEX III: ISDA Members

ISDA Primary Members

Abbey National Financial Products	CIBC World Markets	Merrill Lynch & Co., Inc.
ABN AMRO Bank N.V.	Citibank, N.A.	Mitsubishi Trust and Banking Corp.
ABSA Bank Ltd.	Cofiri SIM S.p.A.	Mitsui Bussan Commodities Limited
African Merchant Bank Limited	Commerce International Merchant Bankers Berhad	Mitsui Trust & Banking Co. Ltd.
AIG Financial Products Corp.	Commerzbank AG	Morgan Stanley & Co. Inc.
Allied Irish Banks, plc	Commonwealth Bank of Australia	National Australia Bank Limited
Alpha Credit Bank	Compagnie Financiere de CIC et de L'Union Europeene	National Bank of Canada
AON Financial Products, Inc.	Confederacion Espanola de Caja de Ahorros	National Bank of Greece
Arab-Malaysian Merchant Bank Berhad	Coral Energy, L.P.	Nationale Investeringsbank N.V.
Argentaria	Credit Agricole Indosuez	NatWest Capital Markets Limited
Artesia Bank N.V./S.A.	Credit Commercial de France	New Japan Securities Co., Ltd.
Asahi Bank, Ltd.	Credit Communal de Belgique	Nikko Securities Co., Ltd.
Australia and New Zealand Banking Group, Ltd.	Credit Lyonnais	Nippon Credit Bank Ltd.
Bacob Bank s.c.	Credit Suisse Financial Products	Nomura Capital Services Inc.
Baden-Wuerttembergische Bank AG	Credito Italiano S.p.A.	Norddeutsche Landesbank Girozentrale
Banca Akros Spa	Dai-Ichi Kangyo Bank, Ltd.	Norinchukin Bank
Banca Commerciale Italiana	Daiwa Bank, Ltd.	NTLA Financial Services B.V.
Banca CRT- Cassa di Risparmio di Torino	Daiwa Europe Bank Plc	Nykredit Bank A/S
Banca del Gottardo	DBS Bank (The Development Bank of Singapore Ltd)	Osterreichische Postsparkasse Aktiengesellschaft
Banca Del Salento - Credito Popolare Salentino S.p.A.	Den Danske Bank	Paribas
Banca di Napoli	Den Norske Bank ASA (DnB)	Prebon Yamane USA Inc.
Banca di Roma S.p.A.	Depfa-Bank Europe plc	Prudential Global Funding Inc.
Banca Intesa SpA	Derivatives Net Inc.	PSEG Energy Resources & Trade LLC
Banca Monte Dei Paschi Di Siena SpA	Deutsche Bank AG	Rabobank Nederland
Banca Nazionale del Lavoro	DG Bank Deutsche Genossenschaftsbank	Raiffeisen Zentralbank Austria AG
Banco Bilbao Vizcaya, S.A.	DKB Financial Products, Inc.	Rand Merchant Bank Limited
Banco Central Hispanoamericano, S.A.	Donaldson Lufkin & Jenrette	Refco Capital Markets, Ltd.
Banco Espanol de Credito, S.A. (BANESTO)	Dresdner Bank AG	Reliant Energy Services, Inc.
Banco Espirito Santo e Comercial de Lisboa, S.A.	Elf Trading S.A.	Republic National Bank of New York
Banco Inversion, S.A.	Enron Corporation	Robert Fleming & Co. Limited
Banco Portugues de Investimento S.A.	Erste Bank der Osterreichischen Sparkassen AG	Rossiysky Kredit Bank
Banco Portugues Do Atlantico	First National Bank of Chicago	Royal Bank of Canada
Banco Santander	First Union National Bank	Royal Bank of Scotland plc
Bank Austria AG	Fleet Financial Group, Inc.	RWE Energie AG
Bank Brussels Lambert	Fortis Bank NV/SA	Sakura Bank Limited
Bank Handlowy w Warszawie S.A.	Fuji Bank Ltd.	Sakura Global Capital
Bank Hapoalim B.M.	Fuji Capital Markets Corp.	Sal. Oppenheim jr. & Cie KGaA
Bank Julius Baer & Co. Ltd.	General Re Financial Products Corp.	Salomon Smith Barney Holdings Inc.
Bank Labouchere N.V.	Goldman Sachs & Co.	SANPAOLO-IMI SPA
Bank of America N.A.	Halifax plc	Sanwa Bank Limited
Bank of Boston	Hamburgische Landesbank Girozentrale	Sanwa Financial Products
Bank of Ireland Group Treasury Limited	HSBC Midland	Sanwa International PLC
Bank of Montreal	HSBC Trinkaus & Burkhardt KGaA	Saudi International Bank
Bank of New York	IBJ International Limited	Shoko Chukin Bank
Bank of Nova Scotia	IKB Deutsche Industriebank AG	Skandinaviska Enskilda Banken
Bank of Scotland Treasury Services plc	INA SIM S.p.A.	Societe Generale
Bank of Tokyo-Mitsubishi, Ltd.	Industrial Bank of Japan, Limited	St. George Bank Ltd
Bank Rozwoju Exportu	ING Bank	Standard Chartered Bank
Bankers Trust Company	ING Baring Financial Products	Standard Corporate and Merchant Bank
Bankgesellschaft Berlin AG	Intercapital Brokers Ltd.	State Street Bank & Trust Company
Banque CPR	Investec Bank Limited	Sudwestdeutsche Genossenschafts-Zentralbank AG
Banque Nationale de Paris	Investicni a Postovni banka, a.s.	Sumitomo Bank Capital Markets, Inc.
Barclays de Zoete Wedd Ltd.	Irish Life & Permanent plc	Sumitomo Bank Ltd.
BAWAG, Bank Fur Arbeit und Wirtschaft	J. Henry Schroder & Co. Limited	Sumitomo Trust and Banking Co., Ltd.
Bayerische Hypo- und Vereinsbank AG	J.P. Morgan Securities Ltd.	Suntrust Capital Markets, Inc.
Bayerische Landesbank Girozentrale	Joyo Bank, Ltd.	Svenska Handelsbanken (Handelsbanken Markets)
Bear, Stearns & Co. Inc.	KBC Bank	SwedBank
BFG Bank, AG	Keybank National Association	Swiss Re Financial Products
BHF Bank (Berliner Handels-und Frankfurter)	Landesbank Baden-Wuerttemberg	Tokai Bank Ltd.
BSN Commerical Bank (Malaysia) Berhad	Landesbank Hessen - Thueringen Girozentrale	Tokyo-Mitsubishi International Plc
Caboto Holding SIM S.p.A.	Landesbank Rheinland-Pfalz Girozentrale	Toronto Dominion Bank
Caisse Centrale des Banque Populaires	Landesbank Sachsen Girozentrale	Toyo Trust and Banking Company, Limited
Caisse des Depots et Consignations	Landesbank Schleswig-Holstein Girozentrale	UBS AG
Caixa Geral de Depositos, SA.	Lazard Brothers & Co., Limited	Ulster Bank Limited
Caja de Ahorros Y Monte de Piedad de Madrid	Lehman Brothers	Unibank A/S
Capital Reinsurance Company	Lloyds TSB Bank plc	Westdeutsche Genossenschafts-Zentralbank eG
CEDEF Capital Services SA	Long-Term Credit Bank of Japan	Westdeutsche Landesbank Girozentrale
Ceskoslovenska Obchodni Banka, A.S.	Macquarie Bank Ltd	Westpac Banking Corporation
Chase Manhattan Bank	Maple Partners Bankhaus GmbH	Yasuda Trust & Banking Co., Ltd.
Christiania Bank	MeesPierson, N.V.	Zurcher Kantonalbank
	Mellon Bank, N.A.	Zurich Capital Markets
	MeritaNordbanken Plc	

TOTAL PRIMARY MEMBERS: 213

ISDA Associate Members

Algorithmics, Inc.
Allen & Overy
American Management Systems Inc. (AMS)
Anderson Mori
Arnheim Tite & Lewis
Arthur Andersen & Co.
Arthur Cox Solicitors
Australian Financial Markets Association
Baker & McKenzie
Blake, Cassels/Lavery de Billy
Bloomberg Financial Markets
Brown & Wood
C-ATS Software Inc.
Cadwalader, Wickersham & Taft
Cameron McKenna
Capital Market Risk Advisors, Inc.
Cedel
Chicago Mercantile Exchange
Cleary, Gottlieb, Steen & Hamilton
Clifford Chance
Clyde & Co.
Coudert Freres
Cravath, Swaine & Moore
Davis Polk & Wardwell
De Brauw Blackstone Westbroek
De Pardieu Brocas Maffei & Leygonie
Debevoise & Plimpton
Dechert Price & Rhoads
Deloitte & Touche
Denton Hall
Dewey Ballantine
Documentum
EBS Partnership
Ernst & Young LLP
Euroclear
Field Fisher Waterhouse
Financial CAD Corporation
Finnish Bankers Association
FNX Limited
Freshfields
Fried, Frank, Harris, Shriver and Jacobson
Front Capital Systems AB
Gibson, Dunn & Crutcher LLP
Gide Loyrette Nouel
GovPX
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Imagine Software Inc.
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Intuitive Products International Corp.
IQ Financial Systems
ITS Trading Systems Limited
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Monis Software
Moody's Investors Service, Inc.
Morgan, Lewis & Bockius
Murex International Software
Nauta Dutilh
Norton Rose
Ogilvy Renault
Osler, Hoskin & Harcourt
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Patton Boggs LLP
PricewaterhouseCoopers
Principia Partners
Punder, Volhard, Weber & Axster
QT Software AG
Reuters
Richards & O'Neil
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Rolfe & Nolan
S.W.I.F.T. sc
Schulte Roth & Zabel LLP
Shearman & Sterling
Sidley & Austin
Simmons & Simmons
Simpson Thacher & Bartlett
Skadden, Arps, Slate, Meagher & Flom
Slaughter and May
SNS Systems Inc.
Standard & Poor's
Steins Bisschop Meijburg & Co. Advocaten
Stikeman, Elliott
Stroock & Stroock & Lavan
Studio Legale Bisconti
Sullivan & Cromwell
Summit Systems Inc.
Synamic Limited
Telerate Systems Inc./Dow Jones
Thacher Proffitt & Wood
Tory Tory DesLauriers & Binnington
Travers Smith Braithwaite
Udwadia, Udeshi & Berjis
Ughi e Nunziante
Uria & Menendez
Vinson and Elkins L.L.P.
Watson, Farley & Williams
Weil Gotshal & Manges
White & Case
Wilde Sapte
William Fry Solicitors
Wilmer, Cutler & Pickering
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Alberta Treasury
Alliance - Invest Co.
American Express Company
American Honda Finance Corporation
American Re
B. Metzler seel Sohn & Co. KGaA
Banc One Funds Management Company
Bank for International Settlements
Bank Nederlandse Gemeenten, nv
Bank of Canada
Barrett Resources Corporation
British Petroleum Company p.l.c.
Caisse Autonome De Refinancement
Caisse Centrale Desjardins
Caisse Centrale Du Credit Immobilier de France
Canada Mortgage and Housing Corporation
Cargill Financial Services Corporation
Citadel Investment Group, L.L.C.
Council of Europe Development Bank
Depfa Bank AG - Bauboden
Depfa Deutsche Pfandbrief Bank AG
DGZ - Deka Bank
Dow Chemical Company
DSL Bank, Deutsche Siedlungs-und Landesrentenbank
Eastern Power & Energy Trading Ltd.
El Paso Energy Marketing Company
Electricite de France
ENIFIN S.p.A.
Eskom
EUROFIMA
European Bank for Reconstruction & Development
European Investment Bank
Export Development Corp.
Federal Home Loan Bank of Atlanta
Federal Home Loan Bank of Chicago
Federal Home Loan Bank of Dallas
Federal Home Loan Bank of San Francisco
Federal Home Loan Mortgage Corporation
Federal National Mortgage Association (Fannie Mae)
Ford Motor Credit Company
Fulcrum Bank
General Electric Capital Corporation
Government of Canada, Department of Finance
Government of Singapore Investment Corporation Pte Ltd
Hess Energy Trading Company, LLC
Hydro-Quebec
IBM International Treasury Services Company
Instituto de Gestao de Credito Publico
Int'l Bank for Reconstruction (World Bank)
Intel Corporation
Kingdom of Belgium
Kingdom of Denmark
Kingdom of Sweden
Kreditanstalt Fur Wiederaufbau
Landesbank Saar Girozentrale
Landeskreditbank Baden-Wuerttemberg - Forderbank
Landwirtschaftliche Rentenbank
Leonia Corporate Bank plc
Manufacturers Life Insurance Company (Manulife)
McDonald's Corporation
Mobil Oil Corporation
Moore Capital Management, Inc.
Municipality Finance Plc
National Bank of Poland
National Swedish Pension Fund
National Treasury Management Agency of Ireland
Nationwide Insurance
New South Wales Treasury Corporation
New Zealand Debt Management Office
Nordic Investment Bank
Norges Bank
Ontario Financing Authority
Ontario Hydro
Oresundskonsortiet
Pacific Life Insurance Company
PIMCO Advisors L.P.
Province of British Columbia
Province of Quebec
Red Nacional de los Ferrocarriles Espanoles (RENFE)
Republic of Finland
S.A. IPPA N.V.
Shidler Investment Corporation
Siemens Aktiengesellschaft
Sigma Finance Corporation
SNS bank Nederland N.V.
Soros Fund Management LLC
South African Reserve Bank
Stichting Pensioenfonds ABP
Student Loan Marketing Association
Swedish National Housing Finance Corp.
Tachyon Partners
Telecom Italia SpA
Telkom SA Limited
Tiger Management Corporation
Tokio Marine and Fire Insurance Co., Ltd.
TOTAL
Tractebel Energy Marketing, Inc.
Tractebel S.A.
Transnet Limited
Treasury Corporation of Victoria
Vitol S.A., Inc.
WMC Resources Ltd.
XL Insurance Ltd.
Yorkshire Building Society
TOTAL SUBSCRIBER MEMBERS: 110
TOTAL ISDA MEMBERS: 451