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NEWS RELEASE

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Industry Warns Against Inappropriate Regulation of Commodity Derivatives

London, Wednesday, June 20, 2007 – The Commodity Derivatives Working Group (CDWG), a coalition of industry associations, today warned that any new public policy on commodity derivatives must not stifle competition and liquidity in the industry.

The CDWG, which comprises the International Swaps and Derivatives Association (ISDA), the Futures and Options Association (FOA), and the European Federation of Energy Traders (EFET), was responding to a consultative document by the European Commission on regulation for commodity firms that trade in commodity derivatives. The EU Market in Financial Instruments Directive (MiFID) and the Capital Requirements Directive (CRD) include temporary exemptions for these firms, pending the current review.

“Banks and commodity firms agree that regulators must proceed cautiously to ensure a suitable, proportionate regime for participants at this critical stage of the commodity derivatives market’s development. The net effect will be more efficient price formation and lower levels of financial risk,” said Robert Pickel, Executive Director and Chief Executive Officer, ISDA.

“Effective regulation of commodity market participants is a given. Disproportionate or unduly burdensome regulation is not. We must be careful not to allow regulatory cost to become a barrier to market participation and trading efficiencies,” added Anthony Belchambers, Chief Executive of the FOA

“Public policy makers need to maintain the appropriate regulatory landscape to enable commodity firms to participate in the trading of commodity derivatives. These firms should not be forced out of, or prevented from entering these markets, because of over-prescriptive regulation - thus damaging liquidity,” added Peter Styles, Electricity Committee Chairman, EFET.

The CDWG has considered the most appropriate prudential rules for commodity firms which currently benefit from a temporary exemption from the CRD. It found that there is little risk-based foundation for subjecting commodity firms to prudential regulation based on minimum capital standards, under Pillar I of the CRD. Pillar 1 capital charges are

aimed at limiting the default probability of highly systemic financial institutions such as banks and investment firms in the EU financial market. Commodity firms use a variety of often sophisticated risk control mechanisms. The CDWG argues that prudential regulation of commodity firms should be based on the supervisory review of such internal risk management systems, as well as public disclosure of key risk indicators (in line with the approach of Pillars II and III of the CRD).

The CDWG also advocates that own-account trading by commodity firms with professional counterparties need not be licensed under MiFID. This exemption would not apply to ancillary services to clients. The CDWG advocates tailored regimes for this service, and for trading with firms that would fall outside the definition of 'professional'. The CDWG argues that applying MiFID in a market characterized by professional counterparties is not justified on investor protection grounds.

The CDWG is also of the view that financial regulators should not try to regulate the underlying physical markets, which could, for example, complicate the ongoing liberalization of the energy markets.

Commodity firms involved in the CDWG expressed willingness to discuss whether market abuse rules need to be adapted for the purposes of instruments traded on commodity MTFs, for example. Any changes in this area should only be made after lengthy discussion with the market, and consideration of all possible consequences of such a move.

The views of the CDWG are outlined in more detail in its submission to the European Commission's Call for Evidence on Commodities, dated May 22, 2007. Please see the ISDA website (www.isda.org) for further details.

The European Commission's Call for Evidence is part of a review of MiFID's exemptions for specialist commodity firms. The review is mandated under MiFID, and is scheduled to be completed by late 2008.

About ISDA

ISDA, which represents participants in the privately negotiated derivatives industry, is among the world's largest global financial trade associations as measured by number of member firms. ISDA was chartered in 1985, and today has approximately 800 member institutions from 54 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

About FOA

The FOA is the industry association for 160 international firms and institutions which engage in the carrying on of derivatives business, particularly in relation to exchange-traded transactions, and whose membership includes banks, brokerage houses and other financial institutions, commodity trade houses, power and energy companies, exchanges and clearing houses, as well as a number of firms and organizations supplying services into the futures and options sector. Information about the FOA and its activities is available on the Association's web site: www.foa.co.uk.

About EFET

Established in 1999, EFET is an industry association representing over 80 trading companies operating in 20 countries. The EFET mission involves improving conditions for energy trading in Europe and fostering the development of an open, liquid and transparent European wholesale energy market. Information about EFET and its activities is available on its web site: www.efet.org.

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