
A RETROSPECTIVE OF ISDA'S ACTIVITIES 2003 - 2004

ISDA[®]

INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

A RETROSPECTIVE OF ISDA'S ACTIVITIES 2003 - 2004

ISDA[®] INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

360 Madison Avenue
16th floor
New York, NY 10017
Phone: (212) 901-6000
Fax: (212) 901-6001
isda@isda.org

One New Change
London EC4M 9QQ
Phone: (44) 207 330-3550
Fax: (44) 207 330-3555
isda@isda-eur.org

24 Raffles Place
#22-00 Clifford Centre
Singapore 048621
Phone: (65) 6538-3879
Fax: (65) 6538-6942
isdaap@isda.org

Shiroyama Hills – 31st Floor
4-3-1 Toranomon
Minato-ku, Tokyo 105-6031
Phone: (813) 5733-5500
Fax: (813) 5733-5501
isdajp@isda.org

1101 Pennsylvania Avenue
Suite 600
Washington, DC 20004
Phone: (202) 756-2980
Fax: (202) 756-0271
isda@isda.org

Website: www.isda.org

A RETROSPECTIVE OF ISDA'S ACTIVITIES 2003 - 2004

TABLE OF CONTENTS	PAGE
LETTER FROM THE CHAIRMAN AND THE EXECUTIVE DIRECTOR	5
<hr/>	
BOARD OF DIRECTORS	11
ISDA ACTIVITIES	13
INDUSTRY INFRASTRUCTURE COMMITTEES	
COLLATERAL	14
DOCUMENTATION	15
FpML	16
OPERATIONS	17
PRODUCT COMMITTEES	
CREDIT DERIVATIVES	18
ENERGY, COMMODITIES & DEVELOPING PRODUCTS	19
EQUITY DERIVATIVES	20
TRADING PRACTICE	20
OVERSIGHT & SUPERVISION COMMITTEES	
ACCOUNTING	21
REGULATORY – EUROPE	22
REGULATORY – NORTH AMERICA	23
RISK MANAGEMENT	24
TAX	25
REGIONAL COMMITTEES	
ASIA-PACIFIC	26
CANADA	27
CENTRAL & EASTERN EUROPE / MIDDLE EAST	28
LATIN AMERICA	28
JAPAN	29
RESEARCH & EDUCATION	30
MEMBERSHIP	31
CONFERENCES	38
SEMINARS	39

LETTER FROM THE CHAIRMAN & THE EXECUTIVE DIRECTOR

ISDA

International Swaps and Derivatives Association, Inc.

360 Madison Avenue
16th floor
New York, NY 10017
United States of America
Telephone: (212) 901-6000
Facsimile: (212) 901-6001
Email: isda@isda.org
Website: www.isda.org

Dear ISDA Member:

With the support of member firms, ISDA completed a range of important projects and initiatives in 2003. Some, like the publication of the 2003 ISDA Credit Derivatives Definitions, represent the continuation of our vital work in key areas of the derivatives industry. Others, like our first-ever survey of derivatives usage by the world's 500 largest companies, demonstrate the new initiatives ISDA is undertaking to further our strategic goals.

Our derivatives usage survey demonstrated that derivatives are an integral part of corporate risk management among the world's leading companies. Announced at our Annual General Meeting in Tokyo, the survey revealed that 92 percent of global Fortune 500 companies use OTC derivatives to effectively manage and hedge their risks. These results garnered much media and industry attention, and we intend to repeat the survey in the future.

The projects that ISDA undertakes will vary from year to year, and our accomplishments in 2003 are evidence of the value we believe we provide to our membership. We would like to update you on some of those significant developments.

Growth in Membership

We continued to enjoy significant growth in 2003, with 62 members joining the Association. ISDA's membership now totals well over 600 firms, spanning 47 countries on six continents.

Documentation

2003 brought with it the publication of a number of important ISDA documents, most notably, the 2003 ISDA Credit Derivatives Definitions. Reflecting changes in industry dynamics over the past three years, the 2003 Definitions offer a number of new provisions addressing major challenges that have shaped the course of the credit derivatives business.

Since our publication of the 2003 ISDA Credit Derivatives Definitions, following closely on the heels of the 2002 Master Agreement and Equity Derivatives Definitions, we have held a series of highly successful *Understanding the New ISDA Documentation* conferences across the globe to educate our members on the trilogy of documents.

We also published the 2002 ISDA Master Agreement Protocol, which offers market participants an efficient way to amend eighteen definitional booklets and credit support documents to reflect the new terminology and provisions set forth in the 2002 Master Agreement. The Protocol remains open for adherence through March 1, 2004. User's Guides to the 2002 ISDA Master Agreement and the 2002 ISDA Equity Derivatives Definitions were also published in 2003.

Additional publications during the year included the European and North American Power Annexes, intended to facilitate the purchase, sale or transfer of physical power products under the 2002 or 1992 ISDA Master Agreement. Reflecting the growing use and importance of weather derivatives globally, we published a range of new confirmations and appendices addressing swaps and options on weather indices.

Legal Opinions

We continued to expand the number of jurisdictions where we obtain legal opinions on the enforceability of netting and collateral provisions of the ISDA Master Agreement, adding a collateral opinion for Spain and commissioning new netting opinions for the Channel Islands and Poland. We now have 41 netting opinions and 33 collateral opinions.

Credit Derivatives

Credit derivatives continue to represent the fastest growing segment of the OTC derivatives industry, as the results of our Mid-Year Market Survey highlighted. The Survey showed a 25 percent growth in credit derivatives to \$2.69 trillion since year-end 2002.

In addition to the publication of the 2003 ISDA Credit Derivatives Definitions, ISDA took on a number of projects to assist in the smooth development of the rapidly growing market sector. We joined forces with other trade associations to form the Joint Market Practices Forum, which issued its a "Statement of Principles and Recommendations Regarding the Handling of Material Nonpublic Information by Credit Market Participants."

During the year, we published provisions to be used in confirmations where the Reference Entity is a monoline insurer in cases of a physically-settled credit default swap. We also published a Master Credit Derivatives Confirmation Agreement, General Terms Confirmation and Transaction Supplement for European and North American credit derivatives transactions. Master Confirmation documents were also published for Japan, Australia, New Zealand, Asia and Singapore transactions.

Collateral

Collateral use in OTC derivatives transactions continued to grow significantly in 2003. The 2003 ISDA Margin Survey reported more than \$719 billion of collateral in circulation, a 70 percent increase over the \$437 billion reported in the 2002 Survey. In future Surveys, ISDA plans to track trends in enterprise-wide collateral management.

We published the first edition of the ISDA Collateral Asset Definitions in 2003, which standardize the descriptions for the most commonly used collateral assets in various jurisdictions, reducing related operational and legal risks and providing a more streamlined method for including assets in collateral arrangements.

ISDA has remained active in its efforts to promote implementation of the European Collateral Directive throughout Europe by the December 27, 2003 deadline. We submitted a letter to the EU Commission urging swift implementation of the Directive and established a Collateral Directive Implementation Monitor on our web site.

Public Policy

In 2003, ISDA continued to lead industry efforts to preserve the legal certainty provisions adopted as part of the Commodity Futures Modernization Act of 2000.

In testimony before the House Agriculture Sub-committee on General Farm Commodities and Risk Management, we emphasized the CFMA's role in reducing the fear of systemic risk and promoting financial innovation. In addition, we have submitted a series of comment letters to the U.S. Senate urging its opposition to additional regulation of OTC derivatives and were pleased when, on two occasions, measures to impose harmful regulations were rejected. As we enter 2004, we remain committed to lobbying against unwarranted regulation of OTC derivatives.

In the European regulatory arena, we continued our active involvement in the process to revise the 1993 Investment Services Directive. We are pleased to report that many of the concerns ISDA had raised about the ISD have been addressed and, in view of its April 2004 target adoption date, look forward to continuing to monitor the ISD's progress and responding when necessary.

Effectively representing the interests of our members in the regulatory arena remains a core focus of ISDA. To that end, we opened a dedicated government advocacy office in Washington, D.C. in 2003 and appointed several key regulatory and policy staff in North America and Europe.

Risk Management

Our main focus in the risk management area in 2003 was responding to the Basel Committee on Banking Supervision's initiative to reform the current capital accord, intended for implementation in 2006.

In 2003, the Basel Committee issued its third and final consultation paper (CP3). Together with other industry associations, we submitted a series of comment letters to the Committee in response to CP3, containing detailed recommendations on the treatment of credit derivatives, counterparty risk, securitization, maturity and Pillar 2 of the accord (supervisory review). We also conducted a survey on the validation of banks' internal credit ratings, a key element underlying the Internal Ratings-Based Approach of the new accord, to provide guidance to regulators and the industry in this area. As we enter 2003, we look forward to continuing our work with the Basel Committee to ensure the new accord best reflects the needs of the financial community.

Accounting

In 2003, ISDA continued its work with the International Accounting Standards Board on aspects of the proposed amendments to IAS 32 and 39, specifically in relation to the fair value measurement of derivatives portfolios. Throughout the year, we submitted a series of comment letters in response to the proposed amendments, participated in IASB meetings and roundtables, and met with the European Commission to discuss our work with the IASB. Over 90 countries will adopt these standards beginning in 2005, and while progress has been made, we believe further work on the treatment of portfolio hedging is necessary.

Additionally, we continued our dialog with the Financial Accounting Standards Board during 2003, and look forward to working with both FASB and the IASB in the New Year to develop improved standards for financial instruments.

Technology

Our work on the FpML standard continued at a steady pace throughout the year. Version 4.0, currently in working draft form, covers a wide range of derivatives. Working groups on pricing and risk management joined the energy, validation, messaging and credit derivatives working groups formed last year.

Additionally, ISDA and FIX Protocol Ltd., developer of the FIX standard, formed a working group to improve sharing of information and experience between the two organizations as each continues to develop its respective protocols. ISDA also obtained liaison status to the International Organization for Standardization (ISO). As a liaison organization, ISDA will be able to participate in the ISO process.

To continue our education of members on the processing efficiency FpML offers, we are holding our second annual FpML conferences in New York and London in December 2003. We have also held workshops and information sessions in New York, London, Tokyo, Singapore and Johannesburg.

Following impressive member response to Netalytics, the online netting analysis tool ISDA launched in 2002, we introduced CSAnalytics, an online collateral analysis tool that examines the legal issues involved in implementing effective collateral arrangements. As netalytics has done for netting opinions, CSAnalytics standardizes the analysis of ISDA's collateral opinions, offering significant cost and risk reduction benefits. Both products are available exclusively to ISDA members.

Operations

The ISDA 2003 Operations Benchmarking Survey results showed the industry is increasingly setting and meeting targets on confirmation processing. The Survey found that during 2002, participating firms met their objective of producing confirmations by five days after the trade date (T+5) for FRAs, vanilla swaps and commodity derivatives.

It also found that 83 percent of credit derivative and 84 percent of equity derivative confirmations were sent out in the T+5 target time. Automation, including use of FpML, continued to increase steadily, with 47 percent of respondents planning to increase automation of credit derivative matching capabilities. FRAs and currency options showed the highest overall degree of current automation, with 22 percent of respondents auto-matching at least 50 percent of their confirmations.

Emerging Markets

Much of our focus in Central & Eastern Europe involved our lobbying efforts for the enactment of netting legislation in the Czech Republic, Greece and Slovakia. In addition, ISDA met separately with the Central Bank of Russia's Deputy Governor, Russian State Duma Committees and the Joint Task Force of Russian Banks to discuss the draft law on derivatives, which has been officially submitted for parliamentary readings.

During the year, we established a Middle Eastern working group to explore issues affecting the growing OTC derivatives markets throughout the region. Since its inception, the group has been working with regulators in Saudi Arabia and Bahrain on the issue of Sharia law-compatible ISDA documentation.

In Egypt, ISDA participated in a conference hosted by the Egyptian Central Bank to share experiences and recommendations on establishing a legal framework for derivatives in emerging markets. We also met with the International Islamic Financial Market to discuss derivatives and the development of Islamic financial products.

Asia-Pacific

We continued our active involvement in the Asia-Pacific regulatory arena in 2003, meeting with regulatory authorities throughout the region on various issues affecting OTC derivatives activities.

ISDA met with officials in South Korea and India to urge the enactment of netting legislation in their countries. In addition, we held our first Beijing-based member meeting, with the Bank of China, Industrial and Commercial Bank of China, Agricultural Bank of China, and China Construction Bank.

We've also maintained dialogues with the Bank of Thailand and the Monetary Authority of Singapore on issues affecting their OTC derivatives markets.

In response to increased market demand for reliable rate fixings, ISDA announced the addition of a 4pm fixing to its Hong Kong Dollar (HKD) ISDAFIX swap rate service, published on Reuters. The new fixing time complements the daily 11am fixing in the Hong Kong Dollar. In conjunction with local regulators, we announced an amendment to Annex A of the 1998 FX and Currency Option Definitions to update the Taiwanese Dollar rate source definition.

Japan

In 2003, documentation was a major focus for our Japanese committees. As mentioned above, ISDA published of Master Credit Derivatives Confirmations for Japan, Australia, New Zealand, Asia and Singapore transactions. Fifteen major credit derivatives dealers agreed to execute the Japan Confirmation.

During the year, we also established a Japanese equity derivatives working group to examine local issues involved in implementing the 2002 ISDA Equity Derivatives Definitions. In addition, we conducted a regional collateral survey, which showed that the 1995 ISDA Credit Support Annex (Security Interest – Japanese Law) is most commonly used in the Japanese collateral market.

Conferences

2003 was another successful year for ISDA conferences. Our Annual General Meeting in Tokyo was well attended, as were our regional member conferences in New York, London and Hong Kong. Our Understanding the New ISDA Documentation conferences across the globe drew impressive numbers. In many locations, we also held Fundamentals of Derivatives seminars, which proved very popular with our members, as well as local media.

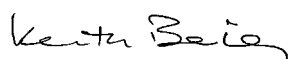
Board Changes

Several changes to the ISDA Board took place in the past year. At the 2003 AGM in Tokyo, we welcomed Hidetaka Hara of Nomura Securities. During the course of the year, Jonathan Chenevix-Trench of Morgan Stanley resigned from the board and was replaced by Sean Notley, while Thomas Riggs replaced Robert Mancini of Goldman Sachs. Tim Fredrickson resigned his seat after leaving UBS Warburg, and Dixit Joshi of Credit Suisse First Boston also stepped down. At the forthcoming Chicago AGM, Jerry del Missier of Barclays Capital will resign from the ISDA Board, as will Masahiro Hosomi of The Bank of Tokyo-Mitsubishi and Jose Manuel Hernandez Beneyto of Banco Santander Central Hispano. We thank all of these individuals for their dedication to the Association over this and previous years.

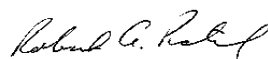
As we welcome 2004, we do so knowing that the support of our members is crucial to ISDA's successful representation of the OTC derivatives and risk management industry. We look forward to working with our members to fulfill our mission of encouraging the prudent and efficient development of the OTC derivatives business and the development and maintenance of sound risk management practices.

We thank you for your membership and support and extend to you our best wishes for 2004.

Sincerely,



Keith Bailey
Chairman



Robert G. Pickel
Executive Director and CEO

**INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.
BOARD OF DIRECTORS DURING FIRST QUARTER OF 2004**

Officers

Keith A. Bailey, Chairman
Managing Director
Merrill Lynch Capital Services, Inc.

Henning Bruttel, Vice Chairman
Managing Director, Capital Markets
Dresdner Kleinwort Wasserstein

Douglas Bongartz-Renaud, Secretary
Global Head of Foreign Exchange Options
Global Financial Markets Division
ABN Amro Bank N.V.

Diane Genova, Treasurer
Managing Director &
Associate General Counsel
J.P. Morgan Chase & Company

Directors

Kaushik Amin
Global Co-Head Interest Rate Products
Lehman Brothers Inc.

Jonathan P. Moulds
Head of Global Rates and Commodities
Bank of America

Michael Bass
Global Head,
Interest Rate Derivatives
Standard Chartered Bank

Sean Notley
Managing Director and Co-Head of Global
Interest Rate Derivatives and Government Bond
Trading Fixed Income Division
Morgan Stanley

Jerry del Missier
Managing Director, Global Head of Rates &
Private Equity, Regional Head of Continental
Europe
Barclays Capital

Ernest Patrikis
Senior Vice President and
General Counsel
American International Group, Inc.

Michele Faissola
Global Head of Rates
Deutsche Bank

Robert Pickel
Executive Director and Chief Executive Officer
ISDA

Hidetaka Hara
Executive Director
Nomura Securities Co., Ltd.

Riccardo Rebonato
Global Head of FM Market Risk & Head of
Quantitative Research & Quantitative Sales
Royal Bank of Scotland

Jose Manuel Hernandez Beneyto
Director General Adjunto
Banco Santander Central Hispano

Thomas Riggs
Managing Director
Goldman Sachs

Masahiro Hosomi
General Manager,
Business Development Office
Mitsubishi Securities Co., Ltd.

Luciano Steve
Head of Fixed Income
Intesa BCI

Frédéric Janbon
Global Head of
Interest Rates Group
BNP Paribas

Kenneth Tremain
Managing Director and Head of North
American Fixed Income Derivative Trading
Citigroup/Salomon Smith Barney

ISDA ACTIVITIES 2003 - 2004

In the past year the International Swaps and Derivatives Association has continued in its efforts to maintain a sound framework for the privately negotiated derivatives industry. Not only from a legal, regulatory and documentation perspective, which naturally remain critical to ISDA's mission, but also from the point of view of advancing understanding of the industry as a whole.

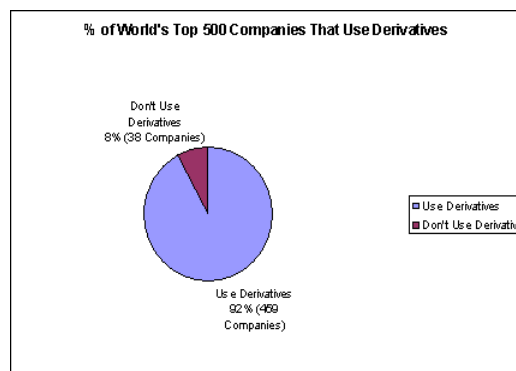
ISDA has, since its inception, pioneered efforts to identify and reduce the sources of risk in the derivatives and risk management business. Its mission is also to advance understanding and treatment of derivatives and risk management from public policy and regulatory capital perspectives.

In the year 2003-2004, ISDA undertook its most comprehensive initiative ever to make available education in derivatives products. These efforts have in many cases assisted regulators and policy-makers in their roles, but they have also benefited ISDA members and non-members alike, including the press and the general public.

The important work conducted through ISDA's risk management, legal and regulatory efforts have been complemented by outreach to those involved in trading, marketing, documenting, accounting for and supporting, in any number of other ways, the market for privately negotiated derivatives. Similarly, this outreach has extended to those only just entering into these areas and others simply seeking better understanding. ISDA's conference roster has grown exponentially, taking the Understanding New ISDA Documentation Conference and Fundamentals of Derivatives Seminar to more cities in more countries across the globe than ever before. ISDA's membership has likewise grown to over 600 members in 47 countries across six continents.

The growth of ISDA's scope and its global reach are really testament to the fact that the market for privately negotiated derivatives continues to grow vigorously. ISDA's latest market survey statistics show a notional market size of over \$120trn, while credit

support in the form of collateral has grown to over \$1trn. In 2003 ISDA surveyed corporate usage for the first time and found that 92% of companies from the top 500 companies globally use derivative instruments to manage and hedge their risks more effectively. These companies were located in 26 countries around the world and represented a broad variety of industries, ranging from aerospace to wholesalers of office and electronic equipment. This demonstrates that derivatives today are an integral part of corporate risk management among the world's leading companies.



An important but often overlooked aspect of the derivatives markets is the operations function, where transactions are captured and completed. Through ISDA's efforts, the Operations Committee, the industry has undertaken to tighten up confirmation processing to minimize backlogs among dealers in response to concerns of regulators. ISDA anticipates that this initiative, and strides taken by Financial Products Mark-up Language (FpML), will go a long way to increasing the safety and soundness of the derivatives markets. Details of all of ISDA's efforts in the past year are outlined in the pages that follow.

COLLATERAL

ISDA continues to work toward increased smooth functioning of collateralization of derivatives transactions through its efforts in relation to standards and practices, and collateral law reform.

The ISDA Collateral Committee has undertaken a comprehensive review of the **Guidelines for Collateral Practitioners**, which were originally published in 1998. Four working groups have coordinated input from lawyers and practitioners in the global collateral markets to produce a detailed outline addressing: (i) collateral management and documentation; (ii) margin call processes and managing collateral; (iii) risk management and valuations; and (iv) industry trends, technology and collateral initiatives.

The objective of the New Guidelines for Collateral Practitioners is to serve as a reference resource for institutions already engaged in managing collateral for derivatives transactions and also for those institutions who are contemplating establishing or expanding their activities in collateral management.

The new Guidelines will reflect developments in collateral management since 1998, and in particular, will reference projects completed by the Collateral Committee in 2003, such as the **Collateral Asset Definitions** and **Enterprise-Wide Collateral Management** initiatives. A preview of the Guidelines will be given at ISDA's Annual General Meeting in Chicago.

ISDA launched its **Collateral Practitioner Seminar - 2004 Speaker Series** in February with Pat Parkinson of the Federal Reserve Board addressing a number of issues of interest to collateral practitioners and credit derivatives market participants. Future sessions will be held in both New York and London.

ISDA's **Collateral Law Reform Group** is monitoring several global, regional and domestic law reform projects that are of relevance to the derivatives industry. ISDA continues to provide industry views to UNIDROIT (The International Institute for the Unification of Private Law) and its project on global harmonization of substantive rules concerning indirectly held securities, a project that, after adoption of the Hague Convention on indirectly held securities, extends beyond the scope of conflict of laws rules.

In the Americas, the organizers of a project on harmonization of securities ownership, transfer and pledging laws have approached ISDA for cooperation in addressing issues raised by the creation of rights, including under financial collateral arrangements and in investment securities held through intermediaries.

ISDA members continue to follow and support **securities law reform** projects in other jurisdictions, including Great Britain, Canada and South Korea. ISDA has also participated in various consultations initiated by the EU Commission (e.g. on the conversion of the Rome Convention on the law applicable to contractual obligations; proposals for a single EU contract law).

The ISDA web site features information on implementation of the **Collateral Directive** in EU member states and accession countries. The implementation of the **Directive on the reorganization and winding up of credit institutions** and its relationship to existing EU insolvency legislation is also of particular interest to the Collateral Law Reform Group.

DOCUMENTATION

Following the publication of three major documents in early 2003, the **2002 ISDA Master Agreement**, the **2002 ISDA Equity Derivatives Definitions** and the **2003 ISDA Credit Derivatives Definitions**, ISDA documentation projects have continued apace. They included, a **User's Guide to the 2002 ISDA Master Agreement**, published in June 2003. The User's Guide offered a section-by-section analysis of the provisions of the Master Agreement, including a comparative examination of provisions in the 1992 and 2002 Master Agreements, and a detailed analysis of tax provisions under the new Master Agreement.

The **Master Agreement Protocol** was opened for adherence on July 15, 2003. The adherence period ends on June 1, 2004. The Protocol offers firms a multilateral mechanism to amend all pre-2002 ISDA documentation to account for changes in close-out and termination mechanics and other concepts reflected in the 2002 ISDA Master Agreement.

Three forms of **Master Confirmations** for credit derivative transactions were published in an effort to facilitate documentation of high volume, largely inter-dealer, transactions. A **Supplement** was published in May 2003 addressing the guarantees issue under the 2003 ISDA Credit Derivatives Definitions, in addition to an optional **side letter** relating to a 60 Business Day cap on the alternative buy-in provisions in the 2003 Definitions.

A **User's Guide** to the 2002 ISDA Equity Derivatives Definitions was published in September 2003. The User's Guide offered a section-by-section analysis of the provisions of the 2002 Equity Derivatives Definitions, including a comparative examination of provisions under the 1996 ISDA Equity Derivatives Definitions, and provided sample language for many of the elections to be made in the Confirmations. Eighteen Confirmations were also published.

A **North American Power Annex** was published in coordination with the Edison Electric Institute. The document facilitated physical power trading under the ISDA Master Agreement framework.

A number of documentation projects are planned for 2004. In the commodity and energy derivatives area, the completion of the **UK Power Annex** will facilitate the physical settlement of power trades under the ISDA Master Agreement framework. A **long-form confirmation for emissions trading** allowances will be completed by summer in order to allow firms to trade on the new document in advance of the January 2005 deadline for mandatory emissions trading for certain industry sectors in Europe.

The 1993 **ISDA Commodity Derivatives Definitions** and the 2000 Supplement thereto will be revised by year-end. In addition to updating the price source information, new categories of commodities will be covered. Annexes addressing physical settlement will be included as appendices to the 2004 Definitions. The completion of the **2004 ISDA Novation Definitions and User's Guide** will facilitate the novation or assignment of derivative transactions.

ISDA will continue to publish a variety of **amendments to the Annex to the 2000 ISDA Definitions**, as well as the preparation of an **inflation derivatives definitions** booklet. Various forms of **Equity Derivatives Master Confirmations** will be prepared, including forms for Canadian, Japanese and U.S. equity underliers. A **variance swap template** is also being prepared. A **compendium for the amendments to the 1998 FX and Currency Option Definitions** will be issued in spring 2004.

FpML

January 2004 was the second anniversary of the full integration into ISDA of Financial products Markup Language (FpML), the industry messaging standard. In the past year, the various FpML Working Groups focused on version 4.0 of the standard, which covers all major asset classes, including interest rate derivatives, credit derivatives, equity derivatives and FX derivatives. Version 4.0 also has a messaging framework in place. Validation rules for the asset classes are under development and a new architecture document has been published.

A first working draft for **Version 4.0** was published in April 2003. The standard went through various review stages during the year, including feedback from existing implementations, and will be published as a Final Recommendation in April 2004.

Major additions to the standard include the coverage of **credit derivatives** to conform to the 2003 ISDA Credit Derivatives Definitions. Coverage for equity derivatives options has been expanded and equity swaps have been added. Version 4.0 has a messaging framework in place and several example messages have been added, together with a description of different business processes.

In parallel with the work on version 4.0, the Validation Working Group developed **validation rules** starting with **interest rate derivatives** and **credit derivatives**. The Working Group also looked at technical implementations for these rules. Reference implementations are available on the FpML web site. The validation framework can be extended to include company-specific rules.

Version 4.0 is the first **schema-based** version. Previous FpML versions are DTD-based. Other technical changes in 4.0 include the localization of elements and the change from scheme to enumerations wherever possible.

The Architecture Working Group published a first version of the new **architecture framework** for FpML covering versioning, namespaces and extending FpML.

In 2003, FpML looked at long term interoperability possibilities with other financial industry standards. ISDA became a **Liaison A organization to ISO**, allowing ISDA, through FpML, to follow the development of the ISO 15022 standard, which is the proposed ISO XML standard for the financial industry.

FpML started a reverse-engineering exercise from FpML to ISO for interest rate swap confirmations, allowing a better understanding of the differences between the standards.

An **FpML-FIX Working Group** has become active, looking at advancing interoperability between FpML and FIXML.

Version 4.1 of the standard will contain several asset-class-specific enhancements, such as coverage of **index trades** for credit default swaps and treatment of broker confirmations. From the **energy** side, work on the natural gas swap will be included, together with the first results of the **Pricing and Risk Working Group**.

ISDA made the FpML **editor/viewer** available to its members at no cost. Version 1 of the editor/viewer, a trade entry and editing tool which enables the creation of FpML trades from scratch, covers version 3.0 of the standard.

Version 2 of the tool is in development and will cover version 4.0 of the standard. Version 2 of the tool will allow deal confirmation views as can be found in the ISDA definitional booklets.

OPERATIONS

ISDA continued the restructuring of its Operations Committee, with the establishment of various Operations Committee Working Groups. A Strategy Group was formed to establish the longer-term vision and framework for OTC Derivatives operations. Standardization and automation continue to be the key drivers for ISDA's Operations work.

Over the course of the year, the **Interest Rate Products Working Group** focused on the revisions to the 2000 ISDA Definitions and Annex. Supplements 2 through 13 were published, covering a rate cut-off amendment for USD; OIS definitions for SEK, DKK, USD Federal Funds, JPY, CAD and AUD; and rate options for the following currencies: SKK, INR, TWD and KRW and THB.

The **Equity Operations Working Group** focused primarily on the high levels of unexecuted documentation in the market. The Group has attempted to foster increased adoption of the ISDA 2002 Equity Derivatives Definitions and members of the Group moved to standardize the transaction documentation they employ, thereby maximizing the opportunity for Straight-Through-Processing of OTC transactions.

The **Metrics Working Group** publishes monthly metrics covering levels of unsent and unsigned confirmations (by age) as well as information relating to Nostro breaks. Figures are produced for Rates, Equities and Credit Derivatives. The responses of individual firms are collated by ISDA and published amongst the group on an averaged and anonymous basis.

The **Process Working Group** has delivered Best Practice work on areas like telephone confirmation of trades, option exercise, compensation claims and broker messaging.

The **Novations Working Group** spent much of the year drafting a set of standard documents to cover transaction novations. These comprise a Novation Agreement, a set of Definitions and a form of Confirmation. It

is hoped their usage will dramatically reduce the amount of novation-related outstanding documentation in the market. In parallel, the **Process Working Group** has worked on a Best Practice Statement and Users Guide.

The **Operations Credit Derivatives Working Group** focused on implementation of the 2003 Credit Derivatives Definitions and related issues. The group worked on the first **Master Confirmation** for European and North American corporates. A New York signing party was held in June 2003.

The second annual **Operations Summit** took place in London in May 2003. At the summit, representatives from the Operations Committee assessed work of the various Working Groups and defined their priorities.

The **Strategy Group** was formed following discussions at the Summit to define the longer-term strategy and vision for OTC derivatives operations.

A **Strategy Paper** was published in December 2003, followed by work on the **Implementation Paper**. Two consultation sessions took place in London and New York in February to elicit feedback from a broad group of representatives, including end-users and solution providers.

ISDA continued with the annual **Operations Benchmarking Survey**, which has become a valuable tool for assessing operational efficiencies. For more information, see the research section of the ISDA website. The above-named documents are all available from ISDA's Website (www.isda.org).

CREDIT DERIVATIVES

Addressing what is currently the major growth area in OTC derivatives, the Credit Derivatives Market Practice Committee has broadened the scope of its activity in the past year. In addition to continued work on documentation initiatives, it teamed up with three other trade associations to publish the **Statement of Principles and Recommendations Regarding the Handling of Material Nonpublic Information by Credit Market Participants**. Focusing specifically on US markets, this paper is designed to maximize awareness of key issues raised when financial institutions manage and hedge their credit portfolios.

Overall, the Committee is primarily a forum in which to address issues affecting the business and practice of credit derivatives transactions. Taking in the views of dealers and end-users (both hedgers and protection sellers) and including portfolio managers, the Committee aims to find consensus on the most efficient, effective and appropriate means of conducting OTC credit derivatives transactions.

This year, the Committee appointed new chairs to its North American and European arms. Derek Smith of Goldman Sachs and Bryon Lancaster of UBS Warburg took up these positions from Blythe Masters of J.P. Morgan Chase and Paul Varotsis of Barclays Capital respectively.

While supporting market implementation of the **2003 ISDA Credit Derivatives Definitions**, work on documentation initiatives continued, leading to the publication of various **Confirmations and Master Confirmations** (including **Sovereign Master Confirmations**); the **May 2003 Supplement** on guaranteed debt; a **Side Letter** on 60 Business Day Cap on Settlement; and **provisions covering monoline-insurer reference entities**.

As mentioned above, a major departure in 2003 was the work on material nonpublic information. ISDA collaborated in the ad-hoc Joint Market Practices Forum of trade associations, representing a wide range of credit market participants, along with the International Association of Credit Portfolio Managers, the Loan Syndications and Trading Association and The Bond Market

Association. The document is intended as a set of guidelines for use by financial institutions that use securities and securities-based swaps to manage and hedge their credit portfolios.

The recommendations are intended to help ensure that material nonpublic information obtained by financial services firms in the ordinary course of their lending or other relationships with a company is not inappropriately shared with or used by other business units or personnel within the same institution that transact in the securities and credit derivative markets. The Statement of Principles recommends that credit market participants consider including certain key elements in their information controls, tailoring these approaches to a firm's particular business activities. It provides a series of special considerations based on whether a firm has chosen to organize its credit portfolio management activities on the "private side" or the "public side" of an information wall.

The principles and guidelines offered can be used by market participants as they review and refine their own in-house policies to ensure that their business practices and compliance are at the highest level. ISDA will consider adapting this work to other jurisdictions in future. Over the course of 2004, it will also continue to respond to the market's evolving documentation and operational needs, notably in relation to new types of instrument or reference entity. It will also monitor the growing public, ratings-agency and regulatory interest in this market.

ENERGY, COMMODITIES & DEVELOPING PRODUCTS

The Energy, Commodities and Developing Products Committee strives to meet the dynamic needs of the business while fulfilling ISDA's mission of encouraging prudent and efficient development of privately negotiated derivatives.

The Committee serves those member firms with a particular interest in the global energy and commodities markets by supporting initiatives to improve trading practices in these markets, and by sound legal and risk management practices.

In support of the above goals, ISDA published a number of new documents relating to the energy and commodity markets. The **European Gas Annex** incorporated trading of European gas contracts (documented under NBP and ZBT Trading Terms and Conditions) into the ISDA Master Agreement, which enables close-out netting of such contracts. A **North American Power Annex** was also published in 2003.

In the weather derivatives arena, ISDA produced **long-form confirmations for OTC weather index swaps transactions**, including Heating Degree Days, Critical Precipitation Days and Cooling Degree Days. The development of these confirmations was in direct response to the growth in weather risk management contracts worldwide.

As part of ISDA's commitment to lobbying against potentially harmful regulation of OTC derivatives, ISDA led a coalition of associations in opposing the **energy market oversight amendment** to the U.S. Commodity Futures Modernization Act 2000 (CFMA). In Europe, ISDA continues its leadership and strong contribution in the review process of the EU Directive on Financial Markets Instruments (formerly known as the Investment Services Directive 2), with a particular interest in commodities and derivative products.

In support of ISDA's commitment to reducing market risk, ISDA published a **Best Practices Statement**, in consultation with energy market participants, relating to Platt's then-proposed change in the assessment of prices for European oil products. In addition, ISDA released a **White Paper** analyzing the loss of confidence that occurred in the US energy trading markets in late 2002-2003 and the markets, subsequent efforts to restore that confidence. The paper identified, among other things, a regulatory framework enhanced by the CFMA, together with comprehensive trading documentation, as effective tools in protecting against adverse market events.

ISDA continues its documentation drafting efforts to provide the energy and commodity trading industry with more comprehensive trading contracts. Projects already underway in 2004 include an **update** of the 1993 **ISDA Commodity Derivatives Definitions** and related 2000 Supplement. Throughout 2004, product-specific working groups will be updating terms and considering the inclusion of new products. The **UK Power Annex** to the ISDA Master Agreement is scheduled for publication in the second quarter of 2004. The annex will track the terms of the UK Grid Trade Master Agreement for physical power transactions.

ISDA, through a global Working Group, is also preparing a **long-form confirmation** to evidence the transaction of physically-settled EU emissions allowances. While the current draft confirmation only covers EU emissions allowances (due to the mandatory EU emissions trading scheme coming into effect in 2005), it is anticipated that an extension into other regions will be forthcoming.

EQUITY DERIVATIVES

The Committee is focused this year on ISDA's goal of streamlining the process supporting trading activities in OTC derivatives through the creation and promotion of standardized documentation, such as the Master Confirmation. The committee also follows issues of global market significance in the interest of furthering best practices.

Following the publication of the **2002 ISDA Equity Definitions**, ISDA has taken a number of positive steps, to encourage the adoption of the new Definitions and to address large numbers of unsigned equity derivatives confirmations among dealers.

A US-based working group is in the final stages of completing the **2004 Americas Interdealer Master Equity Derivatives Confirmation Agreement** covering Index Options, Index Swaps and Index Basket Swaps, Share Options, Share Swaps and Share Basket Swaps on US and Canadian underliers. The Master Confirmation Agreement incorporates the 2002 Definitions, is subject to the applicable ISDA Master Agreement between relevant dealers, and includes four General Terms Confirmations. Each is contained in an Annex and each is supplemented with a related Transaction Supplement with trade details. Future annexes will cover ADRs and variance swaps / options. ISDA plans to develop a similar master confirmation for the Japanese market.

ISDA is hopeful that the publication of this document will encourage firms to adopt the 2002 Definitions, and will simultaneously help to minimize the potential for significant numbers of outstanding equity derivatives confirmations. ISDA believes that the publication of the **User's Guide to the 2002 Equity Derivatives Definitions** was an important step in assisting the implementation process. Additionally, on January 21, 2004 in New York, ISDA held the first **Documenting and Confirming Equity Derivative Transactions Conference: The Equity Derivatives Specialist**. The ISDA Operations Committee has formed a **Working Group** focused on equity derivatives issues. The working group has been meeting monthly to address, among other things, implementation and backlog issues. One of their goals for 2004 is to encourage the adoption of the Master Confirmation.

On a final note, Onno Vriesman of Deutsche Bank became European Chair of the Equity Derivatives Committee in Q1 2004.

TRADING PRACTICE

The fixed income derivatives area is the largest single area of the derivatives markets. It is also the most mature, developed and standardized. The Trading Practice Committee deals with issues relating to the fixed income and differs from ISDA's role in less mature areas of the markets.

While the need for this Committee to meet is infrequent, it acts as a reference network of individuals located in the front office of the fixed income business that can advise on and assist in development of related new product areas, such as **inflation derivatives**. The Committee also acts as a sounding board on issues of general concern to global

derivatives markets, such as **electronic trading, liquidity** issues and problems associated with **regional variances** in trading practice.

The Committee also oversees the ISDAFIX swap-rate service, the industry benchmark for swaption settlement and rate resets.

ACCOUNTING

Changes to accounting for financial instruments proposed by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) continued to engage both ISDA's North American and European Accounting Committees throughout 2003. The most significant impact will be felt in Europe, where listed companies may be required to report under international accounting standards for the first time.

Focus in Europe has been on the IASB's proposed amendments to the financial instruments standards **IAS 32 and 39**. These standards are now almost finalized. Originally these were scheduled to be finished by the end of 2003, allowing enough time for the industry to prepare for early adoption or mandatory transition in the EU in 2005. Further amendments are being proposed and discussed.

ISDA has been active throughout the consultation process with representation at public roundtables in March, meetings on **fair value measurement** with the IASB in April and May, and further submissions towards year-end on **hedge effectiveness testing** and **macro hedging**. ISDA also met with members of the **European Financial Reporting Advisory Group (EFRAG)** and with the EU Commission.

Where the Committee has focused most of its efforts, fair value measurement and hedge effectiveness, ISDA has been successful at bringing about significant improvements. In other areas, such as off-setting (under IAS 32), the IASB has been less responsive to ISDA's concerns. ISDA remains supportive of the work of the IASB and an international standard on financial instruments accounting and continues its work in 2004, with industry comment on the fair value option exposure draft due in the second quarter.

In North America, the Accounting Committee commented on **two FASB statements** impacting derivatives accounting, and addressing FASB's process.

In a joint initiative with the American Securitization Forum and The Bond Market

Association, ISDA submitted a response to FASB's exposure draft on **Statement 140**, Accounting for Transfers. ISDA also responded to FASB's **Proposed Statement 133** Implementation Issue No. A23, Definitions of a Derivative: Prepaid Interest Rate Swaps.

Members were also concerned about the extent and pace of changes proposed by FASB in relation to accounting for financial instruments. ISDA submitted a **letter to the Financial Accounting Foundation** addressing the nature of the standard setting process in the United States. The letter stressed industry concern that FASB was not allowing for adequate due diligence when considering possible ramifications of proposed changes. ISDA also believes FASB is under-utilizing constituent participation.

In July, the House of Representatives Energy Subcommittee on Commerce, Trade and Consumer Protection held a **hearing on FASB's role** in establishing guidance for derivatives accounting to obtain consistent balance sheet transparency. Highlights of the hearing included: the importance of hedge accounting in risk management; the goal of working with IASB toward the **convergence of standards** and the fact that FAS 133 clearly states that all derivatives transactions must be reported on the balance sheet at Fair Value.

Over the next year in North America, ISDA will continue to address emerging accounting issues, including fair value measurement and accounting for **structured notes, mortgage loan commitments** and **hedges**.

REGULATORY - EUROPE

ISDA has continued to work toward a regulatory framework that ensures flexibility and legal certainty for derivatives in the European Union (EU), without creating regulatory hurdles to product development.

ISDA has been actively involved in the consultation process on the revised **Investment Services Directive** (ISD), publishing a position paper with other trade associations and liaising with members of the European Parliament. All its proposed amendments to broaden the scope of the commodity derivatives passport were taken on board.

ISDA's aim has been to ensure that firms are able to perform services and activities related to commodities and to ensure the new definitions allow new categories of derivatives, while allowing flexibility to expand the category of commodity and other derivatives to encompass new products.

The **Market Abuse Directive** will be implemented by Q4 2004. National Authorities have started an implementation consultation procedure, which ISDA is following closely. ISDA continued to liaise with the Committee of European Securities Regulators (CESR) and the European Commission's work at Level II. In December, ISDA sent its response to the EC's formal consultation on the second set of implementation measures. The response focused on accepted market practices and information relating to commodities.

ISDA responded to CESR's consultation on Level II measures under the new ISD, EU Directive on Financial Markets launched in January 2004. ISDA's joint response focused on the level of detail to be included in Level II, recommending CESR focus on striking a balance between a set of harmonized conditions and the need to avoid excessive intervention in management and organization of investment firms. ISDA is liaising with CESR to provide contributions for Level II measures.

As proposed by EU Finance Ministers, **Lamfalussy Reform** has been extended to the banking and insurance sectors. Thus the Committee structure and approach used in the securities sector and investment funds (UCITS) now also apply to these sectors. Two new Committees with advisory and supervision competence were created: the Committee of European Banking Supervisors in London; and the Committee of European Insurance and Occupational Pension Supervisors in Frankfurt. In February, ISDA submitted a **joint position paper** on the Inter Institutional Monitoring Group's assessment of progress in implementing the Lamfalussy Procedure.

The EC launched an in-depth assessment on the degree of integration of EU financial markets with a view to mapping out key issues for future developments. ISDA has been invited to sit on the ad hoc **Securities Expert Forum Group** created by the EC. Final conclusion will be presented to EU Finance Ministers.

At a national level, ISDA has responded to the **UK FSA's Consultation Paper** on conflict of interests in investment research and issues of securities. Welcoming the less prescriptive approach placing more reliance on appropriate internal policies, ISDA raised some concerns on the over-broad definition of investment research. ISDA is also participating in the consultation launched by HMT and FSA on implementation into UK law of the Market Abuse Directive.

In the coming year, ISDA will continue to focus on ISD implementation measures, with particular focus on **commodity derivatives** and **conduct of business rules**. ISDA will also closely monitor national implementation of the UCITS directive now allowing funds to use derivative products.

REGULATORY – NORTH AMERICA

Over the past year, ISDA has responded to heightened Congressional scrutiny of financial markets by undertaking several new initiatives while building on the association's success in educating Congress and establishing key relationships.

In 2003, ISDA opened a dedicated government advocacy office in Washington, DC. The Washington office manages regulatory and government affairs in North and Latin America. This daily presence in Washington enhances ISDA's advocacy efforts by fostering stronger relationships with Congress and federal financial regulators. In Spring 2003, the North American Regulatory Committee held an **Understanding OTC Derivatives** briefing for the United States Senate congressional staff with jurisdiction over the OTC markets.

ISDA's combination of **education** and **relationship building** proved successful this year as leading policy makers traveled to New York to explore the industry's issues on a more in-depth level. Visitors included James Newsome, Chairman of the Commodities Futures Trading Commission (CFTC), Congressman Jerry Moran (R-KS) and Senator Mike Crapo (R-ID) each of whom exert influence over the regulatory framework for swaps. These events proved valuable as Board members and interested firms had the opportunity to discuss issues that affect the industry.

On June 19, Executive Director and CEO Robert Pickel **testified** on behalf of ISDA before the **U.S. House Agriculture Committee**. He emphasized that OTC derivatives have been and continue to be a major contributor to the flexibility and resiliency in U.S. financial markets. The hearing also gave Congress the opportunity to review the implementation of the Commodities Futures Modernization Act of 2000 (CFMA). ISDA expressed support for provisions in the Act that promote competition, new product development and growth.

The possibility of increased regulation continued into 2003 when, in the summer and fall, Senator Dianne Feinstein (D-CA) offered **oversight amendments** that sought to introduce fundamental changes to existing regulation of privately negotiated derivatives. The Committee successfully led industry efforts to defeat amendments in June and again in November. The result of these votes in the Senate demonstrates bipartisan congressional support for upholding legal framework for the use of swaps as risk management tools.

The Committee is involved in numerous issues affecting member firms. Early in 2004, the Commodity Futures Trading Commission (CFTC) voted unanimously to designate the **U.S. Futures Exchange, L.L.C.** (Eurex US) as a contract market. Leading up to the vote, ISDA lobbied Congress and the Commission on behalf of the industry to allow Eurex to gain entrance into the U.S. financial futures market. The benefits of Eurex US include increased competition and innovation in the futures markets.

Looking forward, the Committee also plans to work toward passage of legislation to strengthen and clarify **netting provisions and related collateral arrangements in U.S.** within the overall structure of ongoing reform of insolvency legislation. In addition, the Association has joined the various coalitions and working groups to further the legislative goals of the industry.

The North American Regulatory Committee also expects additional efforts to modify the existing regulatory structure for derivatives. ISDA will continue to take the lead in efforts to maintain legal certainty for swaps.

RISK MANAGEMENT

Over the past year, ISDA has continued to assist banking regulators in developing new solvency standards. Its aim is to achieve a proportionate capital treatment for derivatives and other trading book transactions and has continued to give feedback on the draft **New Capital Accord**.

Responding to the third **Basel Committee Consultation Paper** was a highlight on the ISDA Capital Accord Steering Committee's work schedule for 2003. In its letter, ISDA emphasized the need for better recognition of double default effects, and for revising the treatment of short-term maturity. In a section of the response, the Committee recommended a review of the scope and validation of repo VaR models.

The ISDA **Credit Risk Mitigation Working Group** collaborated in commenting on the Basel Committee's technical proposals for the capital treatment of securitization exposures. ISDA also submitted extensive comments to the EU Commission Services on the **draft directive** transposing the New Accord into EU legislation.

Looking beyond the New Accord, the ISDA **Counterparty Risk Working Group** conducted an **in-depth risk management practice survey** to inform future changes to the Basel Committee's policy on counterparty credit risk.

Turning to implementation of the new solvency standards, ISDA's **Internal Ratings Working Group** (IRWG) assisted the regulators internationally (Accord Implementation Group of the Basel Committee) and locally (FSA's implementation advisory group) with the interpretation of the new credit risk capital rules. A highlight was the **Internal Ratings Validation Study**, published in June. An IRB Forum launch event was held in New York, London and Tokyo.

ISDA's **Operational Risk Working Group** worked with UK FSA's implementation advisory groups, dealing with interpretation

of the draft capital rules, in particular advanced approaches. ISDA held discussions on issues such as data modelling and correlation, feeding conclusions into later stages of the policy debate with the Basel Committee's Risk Management Group. ISDA focused on group consolidation and the impact of the 'Standardized' approach on firms with significant trading or corporate finance activities.

The IRWG is working on identifying key areas of inconsistency in implementation between regulators, looking to highlight the main concerns of our members in relation to the **Pillar 2 Supervisory review process**, stress testing requirements, and home-vs-host issues. ISDA met with the AIG for a preliminary discussion on these issues in January 2004, and plans to share with them the results of our on going efforts.

A project to provide information on **convergence of economic capital measurements** in internal credit portfolio models aims to assist the Basel committee in its determination of capital adequacy.

ISDA has continued to promote the joint ISDA-Risk Management Association **Loss Given Default database**. ISDA has also consolidated its Asia risk management coverage, recruiting an assistant policy director in Singapore.

In the coming year, ISDA will focus on the need for substantially improving capital treatment of counterparty credit risk and credit risk mitigation instruments. The Counterparty Risk Working Group will spearhead industry dialogue with the new **Basel Committee/IOSCO Trading Book Working Group**.

TAX

ISDA continues to work with the US Department of the Treasury, the Internal Revenue Service and the UK's Inland Revenue to pass tax legislation and issue related regulations which provide certainty for market participants, reflect established market practice and encourage continued growth in the privately negotiated derivatives industry.

The major focus of the European Tax Committee throughout 2003 was the impact on the tax regime of a move to new international accounting standards. ISDA has been an active participant in the **IAS 39 Working Group** set up by the UK Inland Revenue to explore the likely effects and discuss possible changes to tax legislation. The Committee has also focused on changes proposed in the **UK's Green Budget** to the taxation of derivatives based on property and share values. ISDA's work on both of these sets of legislation continues in 2004.

In the U.S., ISDA has divided its time among the following three issues:

In August 2003, ISDA issued a **comment letter to the IRS** in support of a proposed **safe harbor** that taxpayers could use to satisfy the **mark-to-market valuations requirements** of section 475 of the Internal Revenue Code with respect to certain securities and commodities. ISDA believes that a safe harbor should be established under section 475 to enable dealers to value their OTC derivatives using the same mark-to-market methods they use under generally accepted accounting principles for financial reporting purposes.

ISDA's comment letter was followed by a meeting with representatives of the Treasury and the IRS in November. ISDA plans to make a supplemental submission in the near future.

Secondly, ISDA continues to engage the Treasury and the IRS relating to the appropriate method for the inclusion into income or deduction of **contingent non-periodic payments** made pursuant to a notional principal contract and the treatment of such inclusions or deductions.

ISDA believes that the current "Wait-and-See Method," where contingent non-periodic payments are not includible in income or deductible until paid (or earlier if the contingency is resolved), better achieves the government's stated policy principles.

In May 2003, ISDA suggested an anti-abuse rule for use with the Wait-and-See Method. In anticipation of a September 2003 meeting with the Treasury and the IRS, ISDA provided a discussion, with examples, of common, non-tax motivated, contingent swap trades and the likely adverse affect of the proposed alternatives.

While the Treasury and the IRS have recently issued proposed regulations on the subject, which did not reflect ISDA's recommendations, ISDA will continue to work with the Treasury and the IRS in 2004 towards retaining the current practice.

Finally, in support of ISDA's request for guidance that a **credit default swap** is a financial instrument and that payments made thereunder to a non-U.S. person are not subject to withholding taxes or insurance excise taxes, ISDA met with Treasury staff on December 10 to continue discussions on the issue.

In preparation for the meeting, ISDA provided the Treasury with a number of supporting documents, including a "will" opinion from UK counsel confirming its advice that there would be no UK withholding tax in respect of payments by a UK resident company under a credit default swap. ISDA is currently engaged in dialogue with the Treasury and the IRS to address questions pertaining to the credit default swap markets.

ASIA-PACIFIC

Over the course of the past year, ISDA has continued its dialogue with regional regulatory bodies and members in the Asia-Pacific region to encourage development of the regional privately negotiated derivatives markets and to promote sound risk management practices.

ISDA's Asia-Pacific Office, based in Singapore, focuses on developments in Australia, Hong Kong, India, Indonesia, Malaysia, New Zealand, People's Republic of China, Philippines, Singapore, South Korea, Thailand and Taiwan. Key regional developments can be broken down as follows:

In **China**, a number of developments have been of relevance to institutions active in the Asia-Pacific region. In February 2004, the China Banking Regulatory Commission (CBRC) announced the promulgation of the long awaited Provisional Administrative Rules Governing Derivatives Activities of Financial Institutions. ISDA had, over the past three years, commented on the various drafts of the Rules and is pleased to have been able to assist the CBRC in completing the first major regulations governing the derivatives business in China. The rules set out the definition of derivatives, the approval requirements for financial institutions, and the fundamental risk management and internal control framework to be observed by financial institutions engaging in derivative transactions.

ISDA visited **Mumbai** twice in the past year to hold educational seminars and conferences and to meet with regulators and other relevant market bodies. Throughout its discussions there, ISDA has supported the Reserve Bank of India's push to implement close-out netting legislation as well as to promote legal certainty in related areas.

In **Korea** in February 2003, a Supreme Court case had cast doubt on the enforceability of collateral arrangements in the jurisdiction. ISDA has been working to resolve this issue through the proposed introduction of a close-out netting provision

as part of the new Insolvency Legislation in Korea.

In **Singapore** in 2003, ISDA commented on the proposed Guidelines by the Monetary Authority of Singapore (MAS) on Bilateral Netting a draft Payment and Settlement Finality Directive for Singapore. ISDA also provided a submission in support of the MAS' consultation on the Hague Convention on Indirectly Held Securities.

On a **pan-regional** basis, ISDA's monthly Asia-Pacific Legal & Regulatory Committee meetings in Hong Kong and Singapore discussed the work of ISDA's global Committees as well as the various regional and regulatory developments. Specific efforts included the introduction of an afternoon fixing for the HK\$ ISDAFIX rate and adding new floating rates for AUD, INR, KRW, THB and TWD, as supplements to the 2000 ISDA Definitions.

In addition to providing input on the Collateral Asset Definitions through its **Asia-Pacific Collateral Committee**, ISDA's efforts in the region continued to focus on education. In 2003, ISDA sponsored **collateral seminars** in Singapore and Sydney.

Mid-2003, ISDA set up its **Asia-Pacific Risk Management Committee**, serving as an informational forum for risk practitioners in the region. The Committee will also focus on monitoring and analyzing the proposed implementation concepts of the new Basel Accord in jurisdictions across the region. With respect to risk management education, ISDA and PRMIA organized a regular series of **risk seminars** in the region and continue to promote the Asian ISDA-RMA Loss Given Default database with members and regulators.

CANADA

The focus of the past year has been on certain proposed changes to Canadian legislation in the area of trading and regulation of OTC derivatives and collateral law reform. The Canadian Legal & Regulatory Subcommittee met throughout the year to discuss these issues in addition to the Committee's consideration of documentation and market issues for Canadian derivatives.

In April 2003, the Committee submitted a comment letter on the **Concept Proposal for Uniform Securities Legislation, Section VI. Trading in Derivatives--The Regulation of OTC Derivatives.** The proposed legislation seeks to bring OTC derivatives within the regulatory jurisdiction of securities legislation, and then provide exemptions for transactions between "qualified parties". The effect of this would be that derivative transactions could be subject to prospectus and registration requirements unless exempted. There is no such comparable regulation in the United States and this approach could place OTC derivatives participants in certain Canadian provinces at a competitive disadvantage. ISDA's comment letter stated there is no need for this sort of regulation and such an approach would be burdensome and counterproductive for the market. ISDA is currently working with the Canadian Bankers Association to determine if further submissions on this topic by ISDA are desirable.

In co-operation with the Canadian Bankers Association, various members of the Committee have also submitted comments to the Ontario Office of the Superintendent of Financial Institutions on its **draft ruling on physically settled commodity trading.** The aim of this draft ruling is to allow banks, foreign bank branches and other federally regulated financial institutions in Canada to engage directly in physically settled commodity derivatives products (currently prohibited in Canada).

In December of 2003, ISDA submitted a letter in support of proposed amendments to the **Uniform Securities Transfer Act.** The Uniform Securities Transfer Act is draft

legislation proposed by a Committee of the Canadian Securities Administrators (CSA), to be enacted as legislation in each province and to some extent federally. The proposed legislation is essentially a Canadian-specific version of the United States Uniform Commercial Code Article 8. ISDA's letter focused on persuading the CSA and legislators as to the need for this legislation, by citing various competitive disadvantages for Canadian business under the current collateral regime.

Currently, the Legal & Regulatory Subcommittee and the Canadian Members Steering Committee are considering a draft letter to Industry Canada regarding issues that ISDA members believe should be addressed in the next round of Canadian **insolvency law reform.** The Legal & Regulatory Subcommittee is also reviewing a recommended definition of force majeure to be used in conjunction with the 2002 ISDA Master Agreement. This definition is preferred by some Canadian members because of case law in Canada which requires a definition of force majeure where a master agreement is governed by Canadian law (other than Quebec law) and perhaps even where it is governed by New York law and there is a possibility of being before a Canadian court.

Looking ahead, the Committee will focus on increasing its work on **uniform securities and collateral law reform,** as well as on representing member interest in **physically settled trading of energy derivatives,** which now has to be done at a non-bank subsidiary level. ISDA will also aim to expand its educational seminar program in the region, notably in the area of credit derivatives.

CENTRAL & EASTERN EUROPE / MIDDLE EAST

ISDA's Central & Eastern Europe / Middle East Committee focuses on the progress candidate countries have made in implementing derivatives-relevant EU legislation, mainly the EU Collateral Directive, Settlement Finality Directive, Winding Up Directive and related legislation, prior to EU accession in May 2004.

Slovakia and the **Czech Republic** are on track to amend their insolvency laws incorporating netting provisions as drafted by ISDA and others in a framework agreement with the EBRD. Since **Hungary** and **Poland** adopted netting laws in 2002 and 2003, ISDA published netting opinions for these jurisdictions. **Greece** adopted a netting provision in summer 2003. An ISDA netting opinion will be published in the first half of 2004.

In order to obtain more uniform netting across the European Union, ISDA has submitted a **proposal** to the European Commission suggesting the adoption of a **European netting directive** aimed at harmonizing the netting regimes in the EU member states and the accession countries.

In **Russia**, several draft bills affecting the derivatives business remain high on the

political agenda after parliamentary and presidential elections. ISDA has commented on various draft bills and remains very engaged in the developments.

ISDA members are involved in discussions in **Israel** and **Kazakhstan** regarding the introduction of netting legislation.

The Committee has added the **Middle Eastern region** to its scope. A sub-group is discussing fundamental legal issues of **Islamic law** facing the derivatives business as well considering the preparation of Shariah law-compliant ISDA documentation. Jurisdictions of primary concern include UAE (Dubai, Abu Dhabi), Bahrain, Saudi Arabia, Kuwait, Qatar. The Middle Eastern Working Group closely coordinates with ISDA Asia-Pacific to cover regional Islamic jurisdictions also.

LATIN AMERICA

The Latin America Committee recognizes that the region is an important emerging financial center and is working to promote financial law reform and growth in the OTC derivatives markets.

Brazilian laws and market practice relating to over-the-counter derivatives are evolving rapidly. Recently, ISDA members in **Brazil** and surrounding countries drafted a local Master Agreement governing domestic OTC derivatives transactions. This was recognized by ISDA in a letter of support and the committee plans to assist in a local master launch event.

In September, Marcio Bonfiglioli, Citibank's general counsel for its regional office in Brazil became co-chair of the

committee. Under his leadership the committee has addressed business and regulatory issues of importance to member firms in the region. Moreover, the committee is working to foster the development of the Brazilian credit derivatives market. The committee will continue to lobby for netting provision laws in Latin America and will remain proactive in industry initiatives. In late summer 2004, a conference will be held in Brazil to educate firms on how derivatives products can be beneficial to their business.

JAPAN

A busy year for the Japan region began with **ISDA's 18th Annual General Meeting** in Tokyo, in which many of ISDA's Japan Committee members took part as speakers or attendees. Activities in the region have grown throughout the year to further aid the development of the Japanese derivatives market.

ISDA conducted a **survey on the usage of collateral** and ISDA's Documentation among members in the Japanese market. It showed a rapid increase in usage of the 1995 ISDA Credit Support Annex (Security Interest - Japanese Law) (Japanese CSA) in the course of the past year. As a result of the survey, ISDA decided to commission a **collateral opinion** on the enforceability of the Japanese CSA under Japanese law.

In April 2003, the ISDA Japan Committee released a **Japanese translation of the 2003 ISDA Credit Derivatives Definitions** at its first local educational seminar on the new Definitions. Throughout the year, the Japan Credit Derivatives Market Practice sub-committee continued to play a key role in identifying and mitigating the issues that may be obstacles for the Japanese market's future growth. Another highlight for the region in the past year was the publication of the **Master Credit Derivatives Confirmation for Asia Pacific**.

Through the Market Practice Working Group, established in June 2003, the **Japan Equity Derivatives Committee** discussed various region-specific issues associated with the adoption of the 2002 ISDA Equity Derivatives Definitions.

In the coming year, as an initial step in the production of the Master Equity Derivatives Confirmation, the Committee will work to standardize confirmation terms of inter-dealer transactions relating to Japanese shares and indices.

After the continuous involvement and input of committee members, ISDA published a long-form confirmation for an OTC

Weather Index Swap in 2003. In addition to OTC weather derivatives, the Emissions Trading Working Group, with interested members from the Japan Weather Derivatives Committee, established discussions on legal, accounting, and other related issues. Promotion of the committee and its output remain a priority.

2003 was an eventful year in the area of **risk management**. ISDA held a joint seminar on Basel II with the Tokyo Risk Managers' Association (TRMA). More than 200 people from both associations participated. Turning to the implementation of Basel II, ISDA formed the **Japan Basel II Implementation Working Group** in February 2004 to debate implementation issues. Also, in preparation for the Asia Pacific LGD Data Pooling project reached a critical phase in its aim of LGD data collection in 2004.

There was a noteworthy increase in **FpML** interest in the Japan region in 2003. ISDA established the FpML Working Group in October, which evolved into the **FpML Committee**, to discuss Japan-specific implementation issues.

In the coming year, ISDA will continue to provide a forum for its members to share awareness of issues and to find solutions that will aid smooth development in the Japanese market. It will focus particularly closely on comparatively new products, such as **commodity derivatives**.

ISDA will also work more closely with **national regulators** to introduce practitioners' views to regulators' thinking. ISDA anticipates this will assist the continued development of the local market.

RESEARCH & EDUCATION

ISDA continues to believe that the industry benefits from increased understanding of derivatives by policymakers and by the public. In addition, ISDA continues to conduct surveys and other research activities that further the level of general understanding of its members, regulators and others.

Education: Derivatives training. ISDA stepped up its educational efforts by conducting **Fundamentals of Derivatives Seminars** (see Conferences section) in tandem with **Understanding the New ISDA Documentation Conference**; previously, Fundamentals of Derivatives seminars had been held in connection with **Operations Training Seminars**, but in 2003 these were taken to a much broader geographic distribution.

Tailored versions of the Fundamentals of Derivatives seminar have been presented to members of the press in New York and London in 2004. ISDA also initiated a **Fundamentals of Credit Derivatives Seminar**, which debuted on May 6 in New York. Since then, ISDA has held additional Credit Derivatives seminars in New York and in London, with others scheduled for 2004.

Looking ahead, ISDA hopes to expand its educational outreach efforts to reach regulatory bodies also. ISDA has been invited, for example, to conduct derivatives training in May 2004 for examiners at the U.S. Securities and Exchange Commission.

ISDA Website: The Educational Resources section of the website was augmented in 2003 by adding a bibliography for those interested in enhancing their knowledge of derivatives, documentation, and risk management.

In addition, ISDA added a set of product definitions and frequently asked questions, which are aimed at the general public and entry-level market participants looking for accessible descriptions of derivatives.

Research: ISDA conducts its Margin Survey and Operations Benchmarking Survey annually and its Market Survey semi-annually. A near-term objective for the three surveys is to automate the questionnaires while increasing the participation rate among members. In the coming year, ISDA hopes to consolidate and simplify some of the survey questions in order to reduce the time required for members to respond.

In addition, at member request, ISDA conducted a one-off survey of times required to negotiate ISDA Master Agreements. The objective is to provide information by which member firms can benchmark their own documentation processes.

Seminars and Presentations: In London, ISDA and the risk management organization PRMIA co-sponsored a **Risk Management Seminar Series**. In 2003, the series of twelve seminars attracted 870 attendees.

In New York, ISDA held four **Risk Management Seminar** luncheons. ISDA is discussing joint seminars with both PRMIA and the Global Association of Risk Professionals with the objective of attracting a wider audience (see also Seminars section).

In addition, ISDA is co-sponsoring a new stream of risk management seminars with PRMIA in **Singapore, China and Hong Kong**.

Finally, ISDA chaired a pre-conference **Basel Summit** at the Geneva ICBI Risk Management Conference. Topics included treatment of securitization, double default risk, and counterparty risk.

MEMBERSHIP

ISDA's membership totals over 600 financial institutions, government entities, corporations and professional service providers, spanning 47 countries across six continents. Since January 2003, 62 new members have joined the Association. ISDA continues to work through its active committees, working groups and educational efforts to address ongoing industry needs.

ISDA's members are classified into three categories according to the guidelines contained in its by-laws. Below is a description of each category as well as some of the benefits of membership.

Primary Members – dealer firms

According to the Association's by-laws, every investment, merchant or commercial bank or other corporation, partnership or other business organization that, directly or through an affiliate, as part of its business (whether for its own account or as agent), deals in derivatives shall be eligible for election to membership in the Association as a Primary Member, provided that no person or entity participates in derivatives transactions solely for the purpose of risk hedging or asset or liability management.

Associate Members – service providers

ISDA's Associate Membership category is designed for service providers -- brokers, law firms, accounting firms, consulting firms and software providers - who are active in the privately negotiated derivatives business. Associate Membership provides a forum for these industry participants to stay abreast of and contribute to important developments and initiatives.

Subscriber Members – end-users

ISDA's Subscriber Membership category is designed for corporations, financial institutions, government entities and others who use privately negotiated derivatives to better manage financial risks. Subscriber Membership provides a forum for these industry participants to stay abreast of and contribute to important developments and initiatives.

Only ISDA members are entitled to receive the Association's legal opinions on the enforceability of the netting provisions of the ISDA Master Agreements. ISDA has obtained netting opinions for 41 jurisdictions. Greece and India have been commissioned. In addition to the netting opinions, ISDA provides members with legal opinions on the ISDA Credit Support Documents from 33 different jurisdictions.

Only ISDA members are able to participate in the Association's numerous Committees, Working Groups and Task Forces, which serve to address issues in the rapidly evolving derivatives market. Only ISDA members receive the numerous policy papers, response letters, market survey data, and communications on key business issues that ISDA and its consultants generate.

ISDA members receive substantial discounts when ordering copies of the Master Agreement and supporting documents that are published by the Association and widely used to document privately negotiated derivatives transactions. Primary Contacts at member firms receive complimentary copies of all new publications upon their release.

Only ISDA members are eligible to attend the Association's Annual General Meeting, which is the industry's preeminent forum for the discussion of developments and issues in the privately negotiated derivatives business. In addition, a strong preference is given to enlisting speakers from ISDA member firms at the association's numerous conferences and seminars. Following is a list of the Association's members. *Firms shown in italics* are those that have joined since January 2003.

ISDA PRIMARY MEMBERS

ABAXBANK S.p.A.
Abbey National Financial Products
ABN AMRO Bank N.V.
ABSA Bank Ltd.
Accord Energy Limited
Ace Guaranty Corp.
AEP Energy Services, Inc.
Agricultural Bank of China
Allied Irish Banks, plc
American Express Company
American International Group, Inc.
AmMerchant Bank Bhd.
Aozora Bank
Australia and New Zealand Banking Group, Ltd.
Baden-Wuerttembergische Bank AG
Banca Akros Spa
*BANCA ALETTI & C. S.p.A. (Group Banco Popolare
di Verona e Novara S.c.ar.l.)*
Banca del Gottardo
Banca d'Intermediazione Mobiliare IMI S.p.A.
Banca Monte Dei Paschi Di Siena SpA
Banca Nazionale del Lavoro
Banca Popolare di Milano scarl
Banco Bilbao Vizcaya Argentaria, S.A.
BANCO BPI, S.A.
Banco Comercial Portugues S.A.
Banco Espanol de Credito, S.A. (BANESTO)
Banco Espirito Santo e Comercial de Lisboa, S.A.
Banco Itaú S/A
Bank Austria AG
Bank Hapoalim B.M.
Bank Julius Baer & Co. Ltd.
Bank of America N.A.
Bank of China
Bank of Ireland Treasury & International Banking
Bank of Montreal
Bank of New York
Bank of Nova Scotia
Bank of Tokyo-Mitsubishi, Ltd.
Bank One, NA
Bank Vontobel AG
Bankgesellschaft Berlin AG
Banque Degroof SA
Barclays
BAWAG, Bank für Arbeit und Wirtschaft
Bayerische Hypo-und Vereinsbank AG
Bayerische Landesbank
BNP Paribas
BRE BANK SA
British Petroleum Company p.l.c.
Caboto - Società di Intermediazione Mobiliare S.p.A.
Caixa D'Estalvis de Catalunya
Caixa Geral de Depositos, SA.
Caja de Ahorros Y Monte de Piedad de Madrid
Capitalia Spa
Cargill Financial Services Corporation
CCF
CDC IXIS Capital Markets
China Construction Bank
Chuo Mitsui Trust & Banking Co. Ltd.
CIBC World Markets Inc.
Citic Industrial Bank
Citigroup
Commerce International Merchant Bankers Berhad
Commerzbank AG
Commonwealth Bank of Australia
Confederacion Espanola de Caja de Ahorros
Coral Energy, L.P.
Credit Agricole Indosuez
Credit Industriel et Commercial (CIC)
Credit Lyonnais
Credit Suisse First Boston International
Daiwa Securities SMBC Co. Ltd.
Danske Bank A/S
DBS BANK LTD
Den Norske Bank ASA (DnB)
DEPFA BANK plc
Deutsche Bank AG
Dexia Bank Belgium S.A.
Dresdner Bank AG
DZ Bank AG
EDF Trading Limited
EFG Eurobank S.A.
Emporiki Bank of Greece S.A.
Entergy-Koch Trading Limited
Erste Bank der Osterreichischen Sparkassen AG
F. van Lanschot Bankiers N.V.
FirstRand Bank Limited
FleetBoston Financial Corporation
Fortis Bank NV/SA
Generali SGR S.p.A.
Goldman Sachs & Co.
Hamburger Sparkasse
HBOS Treasury Services plc
Hess Energy Trading Company, LLC
HSBC Holdings plc
HSBC Trinkaus & Burkhardt KGaA
HSH Nordbank AG
Hydro-Quebec
IKB Deutsche Industriebank AG
Industrial and Commercial Bank of China
ING Bank N.V.
ING Belgium SA/NV
ING BHF Bank (Berliner Handels-und Frankfurter)

Investec Bank Limited	Shinko Securities Co., Ltd.
Irish Life & Permanent plc	Shinsei Bank, Limited
J.P. Morgan Chase & Co.	Shoko Chukin Bank
Jyske Bank A/S	Skandinaviska Enskilda Banken
KBC Bank	Societe Generale
Keybank National Association	St. George Bank Ltd
Landesbank Baden-Wurttemberg	Standard Chartered Bank
Landesbank Hessen - Thueringen Girozentrale	Standard Corporate and Merchant Bank
Landesbank Rheinland-Pfalz Girozentrale	<i>STASCO</i>
Landesbank Sachsen Girozentrale	<i>State Bank of India</i>
Lehman Brothers	Suez-Tractebel S.A.
Lloyds TSB Bank plc	Sumitomo Bank Capital Markets, Inc.
Louis Dreyfus Corporation	Sumitomo Mitsui Banking Corporation
Macquarie Bank Ltd	Sumitomo Trust and Banking Co., Ltd.
Malayan Banking BHD	<i>Suncorp-Metway Limited</i>
Maple Bank GmbH	SunTrust Robinson Humphrey Capital Markets
Mellon Bank, N.A.	Svenska Handelsbanken (Handelsbanken Markets)
Merrill Lynch & Co., Inc.	Swedbank
Mitsubishi Trust and Banking Corp.	Swiss Re Financial Products
Mitsui & Co., Ltd.	Sydbank A/S
Mizuho Financial Group	<i>Taishin International Bank</i>
Morgan Stanley & Co. Inc.	The Bear Stearns Companies Inc.
Moscow Narodny Bank Limited	The Royal Bank of Scotland plc
<i>N M Rothschild & Sons Ltd.</i>	The Toronto-Dominion Bank
Natexis Banques Populaires	Totsa Total Oil Trading S.A.
National Australia Bank Limited	<i>TradingLab Banca S.p.A.</i>
National Bank of Canada	<i>Trust Investment Bank</i>
National Bank of Greece	Turkiye Garanti Bankasi A.S.
Nedcor Bank Limited	UBS AG
NIB CAPITAL Bank N.V.	UFJ Bank Limited
Nikko Citigroup Limited	UFJ Trust Bank Limited
Nikko Cordial Securities	UNIBANCO - UNIAO DE BANCOS
Nomura Securities Co., Ltd.	BRASILEIROS S.A.
Nordeutsche Landesbank Girozentrale	UniCredit Banca Mobillare S.p.A.
Nordea Bank Finland Plc	Union Bank of Norway
Norinchukin Bank	United Overseas Bank Limited
nv Nuon Energy Trade & Wholesale	Vattenfall AB
Nykredit Bank A/S	Wachovia Securities, Inc.
OKO Osuuspankkien Keskuspankki Oyj	Wells Fargo Bank
Osterreichische Volksbanken-Aktiengesellschaft	Westdeutsche Genossenschafts-Zentralbank eG
Oversea-Chinese Banking Corporation Limited	WestLB AG
PNC Bank, N.A.	Westpac Banking Corporation
Prudential Global Funding Inc.	XL Capital Ltd.
PSEG Energy Resources & Trade LLC	Zurcher Kantonalbank
Rabobank Nederland	Zurich Capital Markets
Raiffeisen Zentralbank Austria AG	
Refco Capital Markets, Ltd.	
Resona Bank, Ltd.	
Royal Bank of Canada	
RWE Trading GmbH	
Sal. Oppenheim jr. & Cie KGaA	
Sampo Bank plc.	
<i>Samsung Securities Co., Ltd.</i>	
SANPAOLO-IMI SPA	
Santander Central Hispano, S.A.	
SEB AG	

ISDA ASSOCIATE MEMBERS

A & L Goodbody
Abreu, Cardigos & Associados - Sociedade de Advogados
Advokatfirman Vinge KB
Akin, Gump, Strauss, Hauer & Feld LLP
Algorithmics, Inc.
Allen & Overy
Allens Arthur Robinson
Anderson Mori
Appleby, Spurling & Kempe
Arendt & Medernach
Arthur Cox Solicitors
Asahi Koma Law Offices
Ashurst Morris Crisp
Baker & McKenzie
Barbosa, Müssnich & Aragao
Bell Gully
Binder Grosswang Rechtsanwälte
Bingham McCutchen LLP
Blackbird Holdings, Inc.
Blake, Cassels & Graydon LLP
Bloomberg Financial Markets
Borden Ladner Gervais, LLP
Brzobohaty Broz & Honsa v.o.s.
Buddle Findlay
Cadwalader, Wickersham & Taft
Cameron McKenna
Cantor Fitzgerald International
CETIP - Central de Custódia e de Liquidação Financeira de Títulos
Chicago Board of Trade
Chicago Mercantile Exchange Inc.
Cleary, Gottlieb, Steen & Hamilton
Clifford Chance
Clyde & Co.
Colja Rojs & Partnerji
Copp Clark Professional
Corrs Chambers Westgarth
Coudert Brothers LLP
Covington & Burling
Cravath, Swaine & Moore LLP
Creditex, Inc.
CreditTrade
Curtis, Mallet-Prevost, Colt & Mosle LLP
Dave & Girish & Co.
Davies Ward Phillips & Vineberg
Davis Polk & Wardwell
De Brauw Blackstone Westbroek
De Pardieu Brocas Maffei & Leygonie
Deacons
Debevoise & Plimpton
Dechert Price & Rhoads
Denton Wilde Sapte
Derivatives Documentation Limited
Dermawan Nugroho & Co
Dewey Ballantine LLP
DLA Weiss-Tessbach
EDX London Ltd.
e-Mid S.p.A.
Ernst & Young LLP
Eurex Clearing AG
Eurex US
Euroclear
EXANE
Field Fisher Waterhouse
Fitch Ratings Inc.
Framesoft AG
Fraser Milner Casgrain LLP
Freshfields Bruckhaus Deringer
Fried, Frank, Harris, Shriver and Jacobson
Garban Intercapital
Gernandt & Danielsson Advokatbyrå KB
GFI Group
Gide Loyrette Nouel
Global Electronic Markets LLC
GNI Limited
GovPX
Harney Westwood & Riegels
Herbert Smith
Homburger
Houthoff Buruma
Hughes Hubbard & Reed
Hunton & Williams
Hwang Mok Park P.C.
Icor Brokerage Inc.
IMC Financial Products
IntercontinentalExchange, Inc.
Jones, Day, Reavis & Pogue
Jun Ze Jun Law Office
Juris Corp.
Karatzas & Partners
Katten Muchin & Zavis Rosenman
Kelley Drye & Warren LLP
Kim & Chang
King & Spalding LLP
Kirkland & Ellis
Kirkpatrick & Lockhart, LLP
KSD (Korea Securities Depository)
Landwell
Latham & Watkins
Law Offices of Denis M. Forster
LCH.Clearnet Limited
LeBoeuf, Lamb, Greene & MacRae
Lee & Li
Lenz & Staehelin
Linklaters

Lombard Risk Systems Ltd.
London International Financial Futures and Options
Exchange (LIFFE)
Lovells
Loyens & Loeff
Mallesons Stephen Jaques
Mannheimer Swartling Advokatbyrå AB
Maples and Calder
Mark-it Partners
Marval O'Farrell & Mairal
Matheson Ormsby Prentice
Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga
Advogados
Mayer, Brown, Rowe & Maw LLP
McCann FitzGerald
McCarthy Tétrault LLP
McDermott Will & Emery
McKee Nelson LLP
McMillan Binch
Milbank, Tweed, Hadley & McCloy
Mitsui, Yasuda, Wani & Maeda
MoneyLine
Moody's Investors Service, Inc.
Morgan, Lewis & Bockius
Mori Hamada & Matsumoto
Morrison & Foerster LLP
Nagashima Ohno & Tsunematsu
Nauta Dutilh
Niederer Kraft & Frey
Nishimura & Partners
Norton Rose
NS Solutions Corporation
Ogilvy Renault
O'Melveny & Myers LLP
Orrick, Herrington & Sutcliffe LLP
Osler, Hoskin & Harcourt
Patton Boggs LLP
Paul, Hastings, Janofsky & Walker LLP
Pekin & Pekin
Peltonen, Ruokonen & Itainen Oy
Pillsbury Winthrop LLP
Pinheiro Neto - Advogados
Pinsent Curtis Biddle
Plesner Svane Gronborg
Prebon Yamane USA Inc.
PricewaterhouseCoopers
Projektconsult I+B
QUICK/QUICK Moneyline Telerate
Rating and Investment Information, Inc.
Reech Capital PLC
Reed Smith LLP
Reech Consulting Ltd.
Reuters
Ritch, Heather Y Mueller, S.C.
Ropes & Gray
S.W.I.F.T. sc

SCHOENHERR RECHTSANWÄLTE OEG
Schulte Roth & Zabel LLP
Scrittura, Inc.
Shearman & Sterling
Shearn Delamore & Co.
Sidley Austin Brown & Wood LLP
Simmons & Simmons
Simpson Thacher & Bartlett
SJ Berwin
Skadden, Arps, Slate, Meagher & Flom
Slaughter and May
Standard & Poor's
Stikeman Elliott LLP
STOXX Limited
Stroock & Stroock & Lavan LLP
Sullivan & Cromwell
Summit Systems Inc.
SunGard Data Systems Inc.
Sutherland, Asbill & Brennan LLP
SwapsWire Limited
Thacher Proffitt & Wood
The Depository Trust & Clearing Company
The Totan Derivatives Co., Ltd.
Torys LLP
Tradition (North America), Inc.
Travers Smith Braithwaite
TriOptima
Troutman Sanders, LLP
Tullett Liberty Inc.
Ughi e Nunziante
Uria & Menendez
Vinson and Elkins L.L.P.
VISCHER LLC Attorneys at law
VOB-Service GmbH
Watson, Farley & Williams
Weil Gotshal & Manges
White & Case LLP
Wilmer Cutler Pickering LLP
Wistrand Advokatbyrå
Wolf Theiss & Partners, Attorney at Law
Woo, Yun, Kang, Jeong & Han
Wragge & Co.
YIGAL ARNON & CO.

ISDA SUBSCRIBER MEMBERS

AAREAL BANK AG	<i>ED&F Man Treasury Management Inc.</i>
AB Spintab (publ)	<i>Edison Trading S.p.A.</i>
AB Svensk Exportkredit	Egg Banking plc
ABB Financial Services	Eksportfinans ASA
ACA Risk Structures, L.L.C.	Electricite de France
Ace Capital Re International Ltd.	ENDESA
AEGON NV	Enel SPA
African Development Bank	ENIFIN S.p.A.
AGF Assurances	Eskom
<i>Alexandra Investment Management, LLC</i>	EUROFIMA
<i>Allgemeine HypothekenBank Rheinboden AG</i>	European Bank for Reconstruction & Development
Alliance - Invest Co.	European Investment Bank
Amaranth Advisors L.L.C.	Export Credits Guarantee Department
Ambac Financial Group, Inc.	Export Development Canada
American Honda Finance Corporation	<i>FAXTOR Securities BV</i>
Asian Development Bank	Federal Home Loan Bank of Atlanta
Australian Office of Financial Management	Federal Home Loan Bank of Boston
Austrian Federal Financing Agency (AFFA)	Federal Home Loan Bank of Chicago
Aventis	<i>Federal Home Loan Bank of Cincinnati</i>
AXA	Federal Home Loan Bank of Dallas
AXA Bank Belgium	Federal Home Loan Bank of Des Moines
B. Metzler seel Sohn & Co. KGaA	Federal Home Loan Bank of Indianapolis
Bank for International Settlements	Federal Home Loan Bank of New York
Bank Nederlandse Gemeenten, nv	Federal Home Loan Bank of Pittsburgh
Bank of Canada	Federal Home Loan Bank of San Francisco
Bank of England	Federal Home Loan Bank of Seattle
Bank of Lithuania	Federal Home Loan Bank of Topeka
<i>Bankinter, S.A.</i>	Federal Home Loan Mortgage Corporation (Freddie Mac)
Banque et Caisse d'Epargne de l'Etat, Luxembourg	Federal National Mortgage Association (Fannie Mae)
<i>BBT Fund L.P.</i>	Ferrell North America, a division of Ferrellgas L.P.
BlackRock Financial Management	Fidelity Investments Money Management, Inc.
Britannia Building Society	Florida State Board of Administration
Business Development Bank of Canada	<i>FMC Corporation</i>
Caisse Centrale Desjardins	Ford Motor Credit Company
Caisse Centrale Du Credit Immobilier de France	General Electric Capital Corporation
Caisse de depot et Placement du Quebec	General Re Financial Products Corp.
Canada Mortgage and Housing Corporation	Glencore International AG
Capital One Bank (Europe) PLC	<i>Government Debt Management Agency Ltd.</i>
CapitalGest S.g.R. S.p.A.	<i>(Hungary)</i>
Carlson Capital, L.P.	Government of Canada, Department of Finance
CDC IXIS Asset Management	Government of Singapore Investment Corporation
Ceská Národní Banka (Czech National Bank)	Pte Ltd
<i>Cheyne Capital Management Ltd</i>	<i>Harvard Management Company, Inc.</i>
Citadel Investment Group, L.L.C.	HBK Investments L.P.
Council of Europe Development Bank	IBM Corporation
DekaBank Deutsche Girozentrale	<i>IF P&C INSURANCE LTD (publ)</i>
Depfa Deutsche Pfandbrief Bank AG	Instituto de Gestao de Credito Publico
Deutsche Postbank AG	Intel Corporation
DKR Capital Inc.	Inter-American Development Bank
Dow Chemical Company	International Finance Corporation
<i>Dunbar Bank Plc</i>	Int'l Bank for Reconstruction (World Bank)
Dutch State Treasury Agency	JWM Partners, LLC
EADS NV	

KfW	Queensland Treasury Corporation
Kingdom of Belgium	<i>QVT Financial LP</i>
Kingdom of Denmark	Radian Asset Assurance Inc.
Kingdom of Sweden	<i>RenaissanceRe Holdings Ltd.</i>
Kommunalbanken AS	Renault SAS
<i>Kommunalkredit Austria AG</i>	Republic of Finland
KommuneKredit	Reserve Bank of New Zealand
Kommuninvest i Sverige AB (publ)	<i>Ritchie Capital Management LLC</i>
<i>Landesbank NRW</i>	S.A.C. Capital Advisors, LLC
Landesbank Saar	<i>Scottish Power Energy Management Limited</i>
Landeskreditbank Baden-Wuerttemberg - Foerderbank	Shell Pensioenfonds Beheer B.V.
Landwirtschaftliche Rentenbank	Shinkin Central Bank
Legg Mason Wood Walker, Inc.	Siemens Aktiengesellschaft
<i>M & G Investment Management Limited</i>	Sigma Finance Corporation
Manufacturers Life Insurance Company (Manulife)	SNS Bank N.V.
<i>MBIA Insurance Corp</i>	Societe Nationale des Chemins de fer Belges (SNCB)
McDonald's Corporation	Sompo Japan Insurance Inc.
Mitsui Sumitomo Insurance Company Limited	Soros Fund Management LLC
MKP Capital Management, LLC	<i>Sound Capital Management, Inc.</i>
Moore Capital Management LLC	South African Reserve Bank
Munich American Capital Markets	Stadtsparkasse Koeln
Municipality Finance Plc	Standard Life Investments Limited
Natexis Metals Limited	Stark Investments
National Bank of Hungary	Statoil asa
National Bank of Poland	Stichting Pensioenfonds ABP
National Swedish Pension Fund	Student Loan Marketing Association (Sallie Mae)
Nationwide Building Society	Sumitomo Corporation
New South Wales Treasury Corporation	Sun Life Assurance Company of Canada
New Zealand Debt Management Office	Susquehanna Financial Products
<i>Nexen Inc.</i>	<i>Sveriges Riksbank</i>
NIPPON KOA Insurance Company Limited	Swedish Housing Finance Corp.
Nordic Investment Bank	Swiss National Bank
Norges Bank	Tachyon Partners, L.L.C.
Northwater Capital Management Inc.	Telecom Italia SpA
Ontario Financing Authority	Telkom SA Limited
Ontario Power Generation Inc.	Tewksbury Capital Management Ltd.
<i>Ontario Teachers' Pension Plan Board</i>	The Scoular Company
Øresundsbro Konsortiet	Total Capital S.A.
Pacific Investment Management Company LLC	<i>Toyota Financial Services</i>
Pacific Life Insurance Company	TransCanada Pipelines Limited
<i>Paloma Partners Management Company</i>	Transnet Limited
Petrus Securities, L.P.	Treasury Corporation of Victoria
Pfizer Inc.	<i>U.S. Bancorp</i>
<i>PGGM</i>	Union Bancaire Privee
<i>Powergen UK plc</i>	Union Bank of California, N.A.
Primus Asset Management, Inc.	Vitol SA
Province of British Columbia	Volvo Treasury AB
Québec	<i>Webster Bank</i>
<i>Queensland Investment Corporation</i>	Western Australian Treasury Corporation
	Yorkshire Building Society

ISDA CONFERENCES 2003

FUNDAMENTALS OF DERIVATIVES SEMINAR

February 10 – New York
February 12 – Toronto
February 24 – London
February 26 – Frankfurt
March 4 – Charlotte
March 25 – Houston

May 20 – Stockholm
May 22 – Dublin
June 10 – New York
October 7 – Chicago
October 29 – Washington

UNDERSTANDING THE NEW ISDA DOCUMENTATION CONFERENCE

February 11 – New York
February 13 – Toronto
February 25 – London
February 26 – Amsterdam
February 27 – Frankfurt
February 28 – Paris
March 5 – Charlotte
March 11 – New York
May 19 – Madrid
May 20 – Zurich
May 21 – Stockholm

May 23 – Dublin
June 11 – New York
July 15 – Tokyo
July 17 – Singapore
August 13 – Johannesburg
September 18 – London
October 8 – Chicago
October 16 – Sydney
October 21 – Hong Kong
October 30 – Washington

DOCUMENTING & CONFIRMING CREDIT DERIVATIVES TRANSACTIONS

May 7 – New York
May 14 – London

November 5 – London
November 19 – New York

UNDERSTANDING COLLATERAL ARRANGEMENTS & THE ISDA CREDIT SUPPORT DOCUMENTS CONFERENCE

May 8 – New York
May 15 – London

November 6 – London
November 20 – New York

ISDA 18th AGM

April 9 & 10 – Tokyo

OPERATIONS TRAINING COURSE

March 11 & 12 – London
April 30 & May 1 – New York
October 22 & 23 – New York

FUNDAMENTALS OF CREDIT DERIVATIVES SEMINAR

May 6 – New York
November 4 – London
November 18 – New York

REGIONAL MEMBER CONFERENCE

September 17 – London
September 22 – New York
October 20 – Hong Kong

RISK MANAGEMENT CONFERENCE

December 4 – Tokyo

2003 ISDA FpML CONFERENCE

December 10 – London

ISDA RISK MANAGEMENT SEMINARS 2003

EUROPE

January 15	Current and Future Trends in Risk Systems - Speakers: John Wisbey, David Welton, Brad Impey, Hugh Stewart, Mamdouh Barakat
February 20	Measuring Hedge Fund Risk - Speakers: Bernard Minsky, Graham Jung
March 18	Operational Risk: An Assessment of Global Market Practices Speaker: Bradley Ziff
April 16	Developments in Operational Risk - Speaker: Neil Brown
April 16	Operational Risk & Its Impact on the Fund & Investment Management Industry - Speaker: Angelos Deftereos
April 16	Operational Risk for Asset Managers - Speaker: Bruce Offergelt
May 14	The Risks of Portfolios of Hedge Funds - Speaker: Drago Indjic
June 18	Legal Risk - Speaker: Dermot Turing
July 16	The Relationship Between Pension Assets and Liabilities – Speaker: Cliff Speed
August 13	Collateral: Transforming Counterparty Risk into Legal and Operational Risk Speaker: Robert McWilliam
September 17	A New Regime for Derivatives Accounting - Speakers: Charlotte Jones, Alex Brougham, Sue Harding
October 15	Problems of Credit Pricing and Portfolio Management - Speaker: Con Keating
November 12	What is Risk Management? - Speaker: Andrew Smith
December 10	Risk Year in Review Speakers: Craig MacDougall, Andy Fishman, Ed Duncan

NORTH AMERICA

February 14	Default Correlation: Empirical Evidence - Speaker: Olivier Renault
June 19	Challenges in Validation: Taking the Study Findings Forward A Corporate Perspective - Speaker: Lyn McGowan
September 25	Dealing with Double Default under Basel II - Speaker: Erik Hetfield
December 8	Model Validation and Construction with Application to Recovery Modeling - Speaker: Craig Friedman

