ISDA®

25th Anniversary

A Yearbook of ISDA Activities

2010

International Swaps and Derivatives Association, Inc.

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International Swaps and Derivatives Association, Inc.

Foreword

by Conrad P. Voldstad
and Robert G. Pickel

2010 marks ISDA's 25th anniversary, and this milestone provides an important opportunity to both reflect on the Association's accomplishments over the past quarter century and the opportunities and challenges that lie ahead.

Since its founding in 1985, ISDA's mission has been to identify and reduce the sources of risk in the over-the-counter (OTC) derivatives business. We work toward this goal in many ways, such as:

- Developing standardized documentation;
- Generating legal and netting opinions;
- Ensuring the legal certainty of the ISDA Master Agreement and its netting provisions;
- Representing the industry with public policymakers on regulatory and capital issues;
- Strengthening risk management by enabling and encouraging greater use of central clearinghouses;
- Improving the industry's operational infrastructure;
- Increasing transparency by building central trade repositories; and
- Facilitating sound collateral management practices;
- Providing an extensive range of conferences, industry analyses and surveys to support the goals of the membership and educate the general public in respect to the OTC derivatives business.

Our chairman, Eraj Shirvani, discusses some of this important work in the next article. This effort is global in scope, it cuts across all classes of membership, and it deeply impacts every functional area within our businesses and within the Association.

A Global Industry and Global Association

The strength and relevance of ISDA's contributions over the years are one of the primary drivers behind the Association's growth and success. Today, ISDA stands as a truly global organization with over 820 members from 57 countries on six continents. During 2009, ISDA added 59 new members as firms active in the privately negotiated derivatives market continue to recognize the tangible benefits of ISDA's membership during difficult times.

The location of ISDA's 2009 Annual General Meeting demonstrates the Association's global scope. For the first time, the AGM was held in Beijing, China. Attendees met and heard from Chinese policymakers at the highest level.

Preparing for 2010…and Beyond

Today, ISDA's work on behalf of our member firms and the OTC derivatives industry is more important than ever. We in the privately negotiated derivatives industry clearly recognize our responsibility to strengthen and improve our industry. Let us assure you that it is a mission on which we will remain focused. Through all our offices and in every major jurisdiction in which our members are active, we will work together and with policymakers to build a more robust and more transparent framework and infrastructure for our business.

Strengthening our Management Team

Given the scope, scale and pace of ISDA's global initiatives, the Association's board of directors augmented its senior leadership during this past year. Connie Voldstad, who has held senior industry positions at Merrill Lynch and J.P. Morgan, joined as Chief Executive Officer in November. Bob Pickel assumed the newly created position of Executive Vice Chairman. Connie's capital markets and derivatives industry leadership, coupled with Bob's expertise and counsel, make for a stronger Association with deeper industry knowledge going forward.

A Brief Look Back at 2009

Amidst continued volatility in and heightened scrutiny of the financial markets, ISDA and the industry remained extremely proactive during 2009, working cooperatively with regulators and policy makers globally.

ISDA developed a governance structure for the privately negotiated derivatives industry's market practice and post-trade activities that determines where responsibility and ownership lie for the strategic direction of market practice and post-trade activities, and which groups are responsible for liaising with regulators, and at what levels. The structure addresses relationships between the industry and other stakeholders, including vendors and infrastructure providers, and spearheads the interaction with the group of regulators that monitors continuous operational progress.

In a June letter to global supervisors, the industry detailed commitments to further strengthen the robustness of the OTC derivatives market infrastructure, improve transparency and build a more resilient risk management framework. The industry's achievements were impressive, and were followed up with a subsequent round of commitments in a March 2010 letter.

Over the past 12 months, the Association's leadership has met directly with over 40 national regulators in virtually every geographic area. We have held numerous discussions with and provided testimony to them concerning: the benefits of derivatives; their role in the financial crisis; the need to ensure that end-users retain the ability to customize risk management; and the industry's progress in a range of areas of concern to policymakers.

The Association also continued its work in other key areas. This included facilitating the industry's movement towards greater standardization, particularly in the CDS business. ISDA published several new protocols and templates during the year. The Association also continued to increase the number of netting and collateral opinions obtained from legal counsel in various jurisdictions. ISDA currently has 54 netting and 43 collateral opinions.

Recent market events underscore the importance of collateralization as a risk mitigation tool. ISDA's 2009 Margin Survey indicates that, amidst the volatility in the financial markets, collateral management programs continue to expand, with an increase of almost 86 percent of the collateral since the 2008 Survey to $4 trillion. ISDA's Collateral Committee continues to work to identify and pursue further advances in collateral management, including portfolio reconciliation best practices and margin dispute resolution.

In 2009, ISDA participated in extensive discussions on risk management practices. The Association held discussions with the Basel Committee regarding proposed changes to trading book capital charges that are part of the Basel II framework. The EU has also framed changes to the Capital Requirements Directive and ISDA took the lead in drafting a joint industry response on behalf of several trade groups.

In August, ISDA launched a new Financial Products Markup Language (FpML) working group. The group's initial focus is to extend the current FpML standard in order to define data elements for the reporting of OTC derivative positions, both to regulators and among market participants. Building on existing work done for portfolio reconciliation, pricing and risk management, the group will focus on the regulatory requirements regarding reporting on OTC derivatives.

It was another impressive year for ISDA conferences. The highlight of the year once again was the Annual General Meeting in Beijing. The AGM attracted over 600 delegates and leading industry and regulatory speakers.

In all, ISDA held 132 conferences, seminars, training courses and symposia throughout the year, including its Regional Conferences in New York, London, Sydney, Singapore and Tokyo. These events covered a range of subjects, including risk management, new types of derivatives and the latest developments across the industry.

Throughout this Yearbook, our global staff provides details on these and many other accomplishments.

ISDA: A Member Driven Organization

It's clear that 2009 was a year of substantial activity for ISDA and the industry. ISDA thanks you for your continued support and dedication throughout the year. As the Association marks its 25th anniversary in 2010, it is vitally important that our members maintain and increase their level of involvement in its affairs. It is the active participation of our members that has made ISDA so effective, and their continued involvement that will make the difference in 2010 and in the years to come.

Sincerely,

Conrad P. Voldstad
Chief Executive Officer

Robert G. Pickel
Executive Vice Chairman

The Future of OTC Derivatives

by Eraj Shirvani

Privately negotiated, or over-the-counter, derivatives provide essential risk management solutions for a broad array of users. They play an important role in the growth and functioning of the world economy as they are a source of employment, value creation and innovation for our financial system.

Interest rate swaps, for example, enable companies to reduce borrowing costs. Credit default swaps facilitate lending and corporate finance activity by allowing lenders to hedge the risk that a borrower defaults. CDS also serve a valuable signaling function: CDS prices produce better and more timely information because they rely on market-based information about a company's financial health.

Privately negotiated derivatives are widely used by companies around the world. The 2009 ISDA Derivatives Usage survey revealed that more than 90 percent of Fortune Global 500 companies use derivatives to manage their risks.

Because of the important role they play in enabling firms to manage risk more precisely, the derivatives business has grown significantly. This growth, however, has also created concerns about the potential risks posed by derivatives. These concerns came to the forefront during the global financial crisis due to the uncertainties over derivatives exposure by market participants and policymakers, as well as the losses incurred by some firms due to their derivatives positions. For these reasons, ISDA and the industry are focused on driving significant improvements in key areas, such as:

- Strengthening counterparty risk management, including greater use of clearinghouses;
- Improving transparency; and
- Building a stronger and more resilient operational infrastructure.

Significant progress in each of these areas has been made and continues to be made as the industry works proactively and cooperatively with regulators and policy makers globally.

Counterparty Risk Management

ISDA and the industry have continued to strengthen counterparty risk management by driving greater usage of central counterparty clearing facilities (CCPs). ISDA, the industry and our regulators believe a majority of derivative transactions should be cleared through clearinghouses. To date, over $200 trillion of derivatives have been centrally cleared, representing over a third of all outstanding notional principal. This includes roughly $5 trillion of CDS.

ISDA and the industry have publicly committed to policymakers that further progress will be made. Market participants agreed to increase central clearing of transactions that are currently eligible to be cleared, and to extend the range of products that are eligible for central clearing. We will also provide regulators with enhanced analysis and reporting to help identify and target opportunities for improvements to increase clearing and standardization. In total, ISDA believes an additional $200 trillion or more of derivative transactions may be cleared by the end of 2011.

Industry-wide compression or 'tear-up' efforts have helped to significantly reduce the notional amount of CDS and IRS outstanding by more than $100 trillion since October 2008.

Improving Transparency

In an effort to provide greater transparency regarding exposures, ISDA and the industry are driving the development of trade repositories for privately negotiated derivatives. These repositories report deal information to regulators and enable regulators to spot the complex transactions that have the highest degree of risk. A trade repository currently exists for CDS through DTCC, while TriOptima has been selected as the trade repository for interest rate swaps.

The Association also appointed buy-side participants to join with the dealer community on the ISDA Board and on many industry initiatives, such as the Credit Derivatives Determinations Committee.

In addition, ISDA is working to increase the flow of information on the derivatives business to the regulatory community as well as to the general public. More information on exposures and activity is available through The Depository Trust & Clearing Corporation's trade information warehouse. ISDA has made available to all participants a CDS standard model that improves consistency and reduces operational differences regarding the calculation of CDS prices. And the ISDA CDS Marketplace website brings together information, data and statistics on the CDS business.

Operational Efficiency

ISDA continues to develop a strategic vision for the derivatives industry to make derivative processing more scalable, transparent and resilient in all asset classes. The drive for improvement is behind the industry's steady progress throughout 2009 in such key areas as electronic processing, portfolio compression, collateralized portfolio reconciliation and reduction in outstanding confirmations.

In 2009, ISDA significantly changed market practices to ensure more consistency and standardization in the global derivatives markets. This included: the hardwiring of a cash settlement mechanism into CDS contracts; the creation of a credit events determination committee with balanced representation of the sell- and buy-sides; greater certainty on procedures for settlement of contracts in event of a restructuring; and coupon standardization to focus liquidity. These changes were a major reason that market participants were able to smoothly and efficiently handle over 40 credit events during 2009.

The need to better manage risk will continue to drive demand for OTC derivatives. These custom-tailored, bilateral contracts are used by more counterparties in more countries in more ways than ever before. The improvements ISDA and the industry are making today will work to ensure they remain vital risk management tools.

Eraj Shirvani, ISDA Chairman
Managing Director, Head of Fixed Income for EMEA Region, Credit Suisse

FEATURES

CDS Changes

Big & Small Bang

The credit derivatives market practice and infrastructure have seen dramatic changes in 2009, ultimately creating more certainty in settlement and event determination, lowering counterparty risk and bringing a more robust market set for further growth in the years to come. Some key credit derivatives achievements include:

- the successful implementation of the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement CDS Protocol, known as the Big Bang Protocol; and the follow-on 2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the Definitions, known as the Small Bang;
- further improvements with standardized coupons and new market practices put in place between April 2009 and December 2009 over several jurisdictions;
- central clearing started both in Europe and the US, with the industry successfully launching by the December 15 start date for central clearing for buy-side members;
- compression of index trades continued, together with the compression of single name trades which started in the fall 2008. Compression activity is the primary reason for the drop in notional outstanding to $31.2 trillion in June 2009 from a 2007 high of $60 trillion, despite the ongoing new trading activity in the CDS markets. Reducing the outstanding notional (and outstanding number of trades) results in a decrease in operational risk, improved operational costs and smaller capital charges.

The Big Bang Protocol, which came into effect on April 8, 2009, was the first major step in the process known as “hardwiring”, or the incorporation of auction settlement terms into standard CDS documentation. An efficient, reliable and transparent way to settle contracts upon a credit event is crucial for further growth of the CDS business and the certainty around settlement of contracts is one of the cornerstones of central clearing.

The introduction of the Big Bang effected three central changes to the CDS contract: First, the Supplement adds the concept of Auction Settlement as a Settlement Method, eliminating the need for credit event protocols to settle CDS transactions through an auction. Second, it incorporates the resolutions of Determinations Committees into the terms of standard CDS contracts, which will make binding determinations for issues such as Credit Event determination and succession events. Third, the Supplement adds credit event and succession event look-back provisions (or backstop dates) into the CDS documentation that institute a common standard effective date for CDS transactions.

The Restructuring Supplement, which became effective on July 30 through the Small Bang Protocol, extended the Big Bang's auction hardwiring to Restructuring credit events. The Restructuring Supplement does not change the methodology used in the existing CDS auctions, but it does provide that more than one auction may be held following a Mod-R or Mod-Mod-R Restructuring credit event. The optionality in triggering is maintained and the maturity limitations for Deliverable Obligations contained in the 2003 Definitions are managed by grouping CDS contracts into buckets by maturity.

On April 8, 2009 the market practice for North American reference entities changed towards the use of standard 100 bp and 500 bp coupons. In addition Restructuring (or the form of Modified Restructuring traded in the US), though still available as a choice, is no longer included by default as a credit event in standard trades. The market practice of standard coupons, with differences on the actual coupons selected, has gradually been introduced over the course of 2009 for European reference entities, Asian reference entities and developing markets. One of the benefits of the CDS standard model (see cdsmodel.com for more information), made available by ISDA at the beginning of 2009 as open source, is that calculators based on the model and that use the standard inputs described at www.cdsmodel.com, will allow for a consistent way to move between different ways of quotation.

The changes described above have altered the CDS landscape considerably, facilitating the increased use of central clearing. Expanding the use of central clearing by including a broader set of participants and expanding the set of products eligible for central clearing is one of the primary focus areas for 2010.

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CDS CHANGES

Enter the DC

On April 8, 2009, when ISDA's Big Bang exploded into the CDS world, the Determinations Committees (DCs) formally took on the role of making key determinations for the CDS market. In particular, the DC decides whether Credit Events had occurred, whether to hold auctions and what the terms of those auctions should be. The DCs in the Americas and EMEA have had an eventful first year, with a packed meeting schedule and several auctions, while late in the year the Japan DC also roared into life with the first credit event determinations and auctions to be held in the region.

The work of the DCs in their first year of operation can be summarized with a few headline figures: 67 questions have been raised to the DCs, of which 51 received a decision (16 were rejected or dismissed). The DCs have resolved 41 credit event questions and decided to hold 22 auctions. In addition to the new questions, the DCs have been grappling with a list of almost 2,000 "historical" Succession Event questions, which were raised to preserve older Succession Events from the operation of the new look-back provisions that came into effect on June 20, 2009. To date, 171 questions from that list have been resolved.

The strict timelines contained in the DC rules combined with the volume of questions raised have meant that the DCs have convened frequently, often meeting several times a week with DC members having to respond to meeting requests at short notice. This has required substantial commitment from the DC member firms and the individuals involved. The rules were developed with these demanding standards in mind, recognizing the need for decisions to be taken quickly, when the market is looking for certainty on open questions.

The DCs have also dealt with two sets of updates to the rules to implement the Small Bang and to improve the efficiency of the question raising and resolution process. Another major milestone was the referral of the first question to the DC external review panel, the body of senior industry practitioners and academics that are called on to determine the outcome of a particular question where less than an 80% supermajority of the members of the DC is in agreement. In the case of Cemex, the external review panel determined that a Restructuring credit event had occurred, giving the market helpful guidance in interpreting the credit derivatives definitions.

At the time of writing, the next major event in the DC evolution will be the reconstitution of the DCs on March 30, 2010. Work is already well under way to ensure a smooth transition and that the market has continued unfettered access to this key decision-making body.

ISDA®
25th Anniversary

25 YEARS OF ISDA

On May 23, 1985, the International Swap Dealers Association was incorporated with 10 firms as members. Since then, the Association has become a global operation with over 820 members, representing the derivatives industry around the globe. For our silver anniversary, we take a look back at some highlights of our growth.

1985 The initial document for the industry is the Code of Standard Wording, Assumptions and Provisions for Swaps, known by the acronym SWAPS. Chairmen of the Board: Tom Jasper and Artur Walther.

1986 Tom Jasper and Ken McCormick serve as Chairmen.

1987 Previously open only to dealers, the Association brings in end-users and service providers as members. The ISDA Interest Rate and Currency Exchange Agreement, effectively an early version of the ISDA Master Agreement, is released. First ISDA Market Survey is published. Patrick de Saint-Aignan named Chairman.

1988 Mark Brickell named Chairman.

1990 Legal opinions on the enforceability of netting are established by ISDA in nine of the 11 Bank for International Settlements countries.

1991 ISDA Definitions released.

1992 The 1992 ISDA Master Agreement, a landmark standard form contract in the financial industry, is published. The ISDA FX and Currency Option Definitions are also released. Malcolm Basing named Chairman.

1993 In a subtle but important change to reflect the increasingly broad range of members, the name changes from International Swap Dealers Association to the International Swaps and Derivatives Association. The well-established acronym remains intact. Joe Bauman named Chairman. The ISDA Commodity Derivatives Definitions are published.

1994 The ISDA Long-Form Equity Derivatives Confirmation is published. The ISDA Credit Support Annex also debuts, standardizing the documentation related to collateral agreements. Gay Evans named Chairman.

1996 Putting the "I" in ISDA's own operations, the Association opens a London office. The 1996 Equity Derivatives Definitions debuts.

1997 Richard Grove is named ISDA CEO.

1985 1990 1995

1998 ISDA Long-form Credit Derivatives Confirmation is released. Mark Harding named Chairman.

1999 1999 ISDA Credit Derivatives Definitions are published,

2000 Offices in Tokyo and Singapore are opened, as well as an advocacy office in Brussels. Keith Bailey named Chairman.

2001 ISDA General Counsel Robert Pickel is named CEO. First ISDA CDS Market Survey released.

2002 The revised 2002 ISDA Master Agreement is published, as are the 2002 ISDA Equity Derivatives Definitions. ISDA integrates Financial products Markup Language (FpML), the information exchange standard for electronic dealing and processing of derivatives, into the organizational structure. First ISDA Equity Derivatives Market Survey released.

2003 The Washington DC office is opened, the ISDA Master Agreement Protocol is launched and the 2003 ISDA Credit Derivatives Definitions are published.

2004 Jonathan Moulds named Chairman.

2005 The 2005 Commodity Definitions, 2005 Collateral Guidelines and 2005 Inflation Definitions are all released. Novation Protocol I released, reducing the backlog of outstanding credit derivatives confirmations by 94%. First CDS settlement protocol and auction are held.

2006 Novation Protocol II opens, enabling new market participants to adhere.

2007 Hong Kong office opens. Revised ISDA Definitions covering interest rates and currency swaps are published, as well as 2007 Equity MCA.

2008 Financial crisis sparks a significant number of credit events including Lehman Brothers, all successfully managed through ISDA CDS settlement protocols. Hardwiring of auction settlement terms into standard CDS documentation begins in earnest. Net notionals of CDS are published on the trade information warehouse. Work commences to establish trade repositories for equities and rates. Eraj Shirvani named Chairman.

2009 The Big Bang and Small Bang protocols complete hardwiring of CDS settlement and usher in standard couponing. The Determinations Committees go into operation in all major regions. New industry governance structure implemented. ISDA makes available a Standard CDS Pricing Model. Launch of ISDA CDS Marketplace. In November, Conrad Voldstad appointed Chief Executive Officer; Robert Pickel becomes Executive Vice Chairman.

2010 The ISDA/IIFM Tahawwut Master Agreement is released, the first standard contract document for cross-border transactions in Shariah-compliant derivatives. Compressions of derivatives trades reduces inventory of outstanding transactions by about 10%. Level of CDS outstanding is less than half of its peak level. Central clearing of OTC derivatives passes $100 trillion, and of those derivatives trades that are eligible, the amount cleared is over 90% and counting....

2000-2005-2010

CCP Global Review

Clarity in the Market

Clearing of OTC derivatives hit the wider news cycle in 2009, and is likely to stay in headlines through 2010. But while central clearing is portrayed by some as The Answer, others feel that where you stand on clearing depends on where you sit. It's one thing if you are an exchange; another if you are a regulator; another if you are a dealer; and another again if you are an end-user.

Central counterparties (CCPs) are not new, of course; not even for OTC derivatives. SwapClear has $100 trillion notional of interest rate swaps on its books (after stripping out double counting) from 10 years of operation. And there are well established offerings for commodity and equity derivatives too. It is noteworthy, though, that no real competitors have emerged to the incumbents; and that, just like bilateral netting, the multilateral variety worked well through the Lehman Brothers collapse.

Clearinghouses have rolled out a centuries-old technique to the liquid parts of the privately negotiated market. And over recent years, many clearers of listed derivatives have thought about areas where they might offer it for OTC products – if only because growth in the futures business was getting harder to find. The credit for one of the earliest attempts goes to Paris back in the late 1980s, though that effort to clear interest rate swaps proved ahead of its time.

The arrival of central clearing for credit derivatives, against a backdrop of troubled credit markets, has a number of commentators assuming it was the missing solution to a number of problems – problems which in practice it may or may not solve. Issues from market liquidity to responsible lending arose in the crisis and it would be a brave soul that says that central clearing would guarantee either. Commentary tends to ignore alternative techniques such as trade compression, which is of course applicable to a wider range of instruments than clearing.

Crises do strange things to people's perspectives. For clearers, there is some natural incentive to maximize the range of products being cleared (and to margin these as cheaply as possible), so questions of supervision and potential national bail-outs will arise. For dealers, there is an incentive to maximize clearing of those contracts that are actually eligible, because of the multilateral net down as well as the capital benefit. But their role on risk committees will be vital, overseeing how safely their guarantee fund contributions get used. And the customers will not stop wanting tailored hedges, whatever the political pressure to standardize derivatives. Having said this, those customers who do trade clearing-eligible contracts may want the indirect benefits of clearing. This is why ISDA has worked on portability of customer contracts in the event of a clearing-member default.

As for CDS clearing, it was still the subject of a geographic tug of war at the start of 2009 – but has now extended from indices to some single names and seen over $5 trillion processed. Ventures other than market leader ICE are yet to make a major impression, as firms maximize benefits for both themselves and the system by netting down as much as possible.

The big question is now relative incentives. The Basel Committee is reviewing capital requirements for those transactions that either cannot or will not be cleared and which we must now call "non-cleared" transactions. CCPs may still attract a counterparty-risk weight of zero, though the December 2009 Basel consultative paper indicates that this will be subject to the clearinghouse meeting CPSS-IOSCO global standards; and those standards are themselves subject to change, as they are reviewed over the course of 2010.

This still leaves the question of how much higher risk weights will be for other counterparties. There is a real danger of double measures here (coming on top of huge changes to the treatment of market risk in the Trading Book, where many derivatives currently reside). The only thing that seems certain is that if it happens, it will become quite expensive to offer derivatives, in spite of their phenomenal success over the years.

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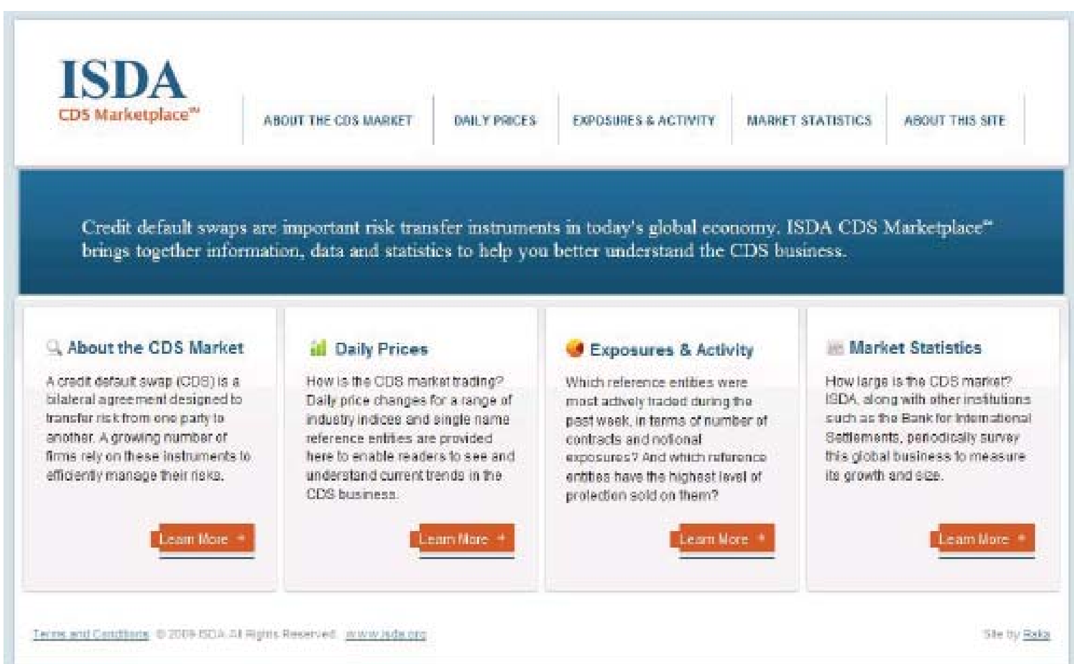
ISDA CDS Marketplace℠

In 2009, ISDA launched ISDA CDS Marketplace (www.isdacdsmarketplace.com), a website that brings together information, data and statistics on credit default swaps (CDS). The site is another step in the Association's ongoing efforts to increase understanding of this sector of the financial markets, pulling together key sources of information. Users can access daily CDS price changes, current CDS exposures, CDS trading activity, market statistics, credit market research, central clearing and portfolio compression data and more. ISDA CDS Marketplace consists of four main sections:

About the CDS Market includes an overview of the CDS market, a summary of how credit default swaps work, key CDS facts, FAQs, current research from Moody's Analytics Capital Markets Research Group, and additional resources on the CDS business.

Daily Prices provides current par spread and changes, as of the end of the most recent trading day, for the biggest single name movers in North America and Europe, as calculated by Markit. This section also provides current spread and daily price changes, for a select group of Markit and Standard &Poor's credit indices.



Exposures & Activity contains information from DTCC Deriv/SERV LLC, a subsidiary of The Depository Trust & Clearing Corporation, on the top ten single-name reference entities with the most notional outstandings on a net and gross basis and information on weekly exposures and weekly CDS transaction activity. This section also contains information on central clearing and the use of central counterparty clearing facilities for CDS. In addition, Moody's provides research to help interpret market implied ratings and weekly Market-Implied Ratings Data for the top ten improvements and deteriorations in credit risk.

Market Statistics provide an understanding of notional amount, a summary regarding the benefits of portfolio compression, information on the ISDA Market Survey, and other data sources.

As the site and the markets develop, ISDA will continue to add features and information in the effort to continue bringing transparency to this vital market.

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Exposures & Activity

Top 10 CDS Positions

The following charts list the single-name reference entities with the most notional outstandings on a net and gross basis. This information is provided by DTCC Deriv/SERV LLC, a subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). The information in these reports is displayed and can only be used by you pursuant to the Terms of Use posted on the DTCC website.

Net Notional

Net notional values with respect to any single reference entity is the sum of the net protection bought by net buyers (or equivalently net protection sold by net sellers). Net notional positions generally represent the maximum possible net funds transfers between net sellers of protection and net buyers of protection that could be required upon the occurrence of a credit event relating to particular reference entities (actual net funds transfers are dependent on the recovery rate for the underlying bonds or other debt instruments).

Reference Entity	Net Notional (USD EQ)	Number of Contracts
REPUBLIC OF ITALY	24,755,190,605	5,488
KINGDOM OF SPAIN	15,450,472,342	3,921
FEDERAL REPUBLIC OF GERMANY	12,771,385,600	1,612
FEDERATIVE REPUBLIC OF BRAZIL	12,563,352,408	10,184
CDS on Loans	11,503,711,630	18,019
GENERAL ELECTRIC CAPITAL CORPORATION	11,230,543,692	7,476
FRENCH REPUBLIC	8,834,286,548	1,552
PORTUGUESE REPUBLIC	8,805,814,277	2,376
HELLENIC REPUBLIC	8,766,917,142	3,567
REPUBLIC OF AUSTRIA	8,735,167,299	1,723

SUPERVISION

The August 2009 release of the United States Treasury's proposal for the regulation of the OTC derivatives markets signaled the beginning of the initiative to legislate fundamental changes in the OTC derivatives industry. The proposal called for mandatory exchange-trading and mandatory clearing of standardized transactions; new regulatory regimes administered by the SEC and the CFTC; enhanced capital and margin requirements for non-cleared transactions; a regulatory distinction between swaps and securities-based swaps; and new reporting, recordkeeping, and business operations requirements. The Treasury proposal set the stage for the current debate, and every proposal that has followed has been formulated in the framework set by this first effort. The House of Representatives was the first to act by passing the Derivatives Markets Transparency and Accountability Act (Title III of HR 4173) on December 10, 2009.

Late in the year, the Senate Banking Committee and the Senate Agriculture, Nutrition and Forestry Committee began work on derivatives legislation, with the Banking Committee's consideration of derivatives undertaken as part of comprehensive financial regulatory reform. The key issues in the House-passed bill and under consideration by the Senate Committees include: mandatory clearing and exchange-trading of all swaps with dealers or major swap participants as counterparties; the definition of major swap participant; segregation margin; capital and margin requirements for dealers and major swap participants; exemptions for end-users; as well as ownership of clearinghouses and swap execution facilities, exclusion of certain instruments from being considered "swaps"; and the impact of the legislation on existing swaps.

Toward year's end, the Senate Committees and regulators had turned their attention to some of the implications of these broader concepts, such as how to regulate clearinghouses, the degree to which legislation implementation should be left to the regulators, and how regulators would apply capital standards to non-financial entities that used derivatives. End-user companies remained concerned about the effect legislation would have on their ability to use OTC derivatives to manage business risks such as fluctuating currency rates, interests rates and commodities prices. Those opposed to explicit exemptions from central clearing, bilateral margining and exchange-trading requirements for end-users argued that such exemptions would come at the expense of transparency.

As we go to press in late March, the Senate Banking Committee voted to approve The Restoring American Financial Stability Act of 2010 and report it out of Committee. Chairman Christopher Dodd (D-CT) and Committee members have been working to reach bipartisan agreements on many of the eleven titles of the bill, including Title VII which addresses derivatives, but currently no agreement is finalized. Without a bipartisan agreement on the financial reform bill, the Senate Democrats will need 60 votes to move the bill on the Senate floor, so further negotiations between Chairman Dodd and Ranking Member Sen. Richard Shelby (R-AL) are expected.

The final shape of the legislation is not settled. Nonetheless, the key goals of improved transparency in and oversight of the derivatives markets and enhancing the strength and resiliency of the operational infrastructure of the derivatives markets are already underway in the marketplace.

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Public Policy

European Union

Many of the same regulatory issues being debated in Brussels are the same as those in Washington. Much of the discussion currently revolves around clearing (on which see a separate article in this publication). But as Europe retools its institutional arrangements – the bodies that work with the Commission to make legislation happen and work – the focus may change. The EU has also become more assertive since the crisis, and new faces in leadership roles may affect the direction and speed of efforts.

The EU Commission spent the first part of 2009 lobbying successfully for a central counterparty for CDS, with an infrastructure based in Europe. Firms understood the Commission's desire to see this – after all, a clear majority of OTC derivatives are booked in Europe. Even so, there was tension with proponents of the objective of maximizing the global systemic benefits of multilateral netting through a multi-currency CCP.

The Commission's agenda encompassed more than just CCPs, and it had previously sought and obtained greater transparency from the securitization markets as to underlying pools of assets. The EC consulted in the summer 2009, publishing a major paper on October 20 (Ensuring efficient, safe and sound derivatives markets) that proposed amendments to existing directives legislation, including the Market in Financial Instruments Directive (MiFID), the Market Abuse Directive (MAD) and the Capital Requirements Directive (CRD):

- In regards to MiFID, the measures relate to matters such as transparency (especially post-trade, though the market will point to the high levels of pre-trade transparency). Debates continue as to how best to do this, without actually damaging liquidity in risk-transfer markets; and how to reflect the important differences in dynamics between the various asset classes within OTC derivatives. Also, the extent to which "organized markets" (exchanges) should be used remains a topic of debate, as does customer categorization and the border line between complex and non-complex products.

- With MAD, areas of interest include the potential for position limits, linked to the rather politicized and incomplete debate on commodity prices. Generally accepted is the idea that MAD provisions will extend to all derivatives – not just those with listed securities as underlying.
- On the CRD front, it will mainly be a question of transposing the Basel Accord, but one would not rule out some divergence. There is, in any case, common ground that the incentives to use collateral (and indeed CCPs) should be there, but proportionality and global consistency remain important.

The industry is also braced for a brand new piece of legislation on market infrastructure that addresses provisions around CCPs and trade repositories, their authorization and their supervision. This is not only a dry discourse about the evolving CPSS-IOSCO standards (in the case of CCPs). It is a highly technical discussion around whether these are pan-European entities and what happens in the unlikely but disastrous scenario that a CCP needs bailing out. National supervision may remain relevant for this reason.

The question of mandated use (rather than the incentives which have delivered progress so far) hangs over all of this infrastructure debate. Also, as in the US, there is the issue of ownership. Developing an appreciation in policy circles of how much capital firms put into CCPs, and why, may prove extremely important.

Changes to the way the EU operates have been accelerated following the financial crisis. New and more powerful bodies are emerging from the more advisory groupings of regulators such as the Committee of European Securities Regulators, which will be transformed into the European Securities and Markets Authority (ESMA) by the end of the year. The exact scope of ESMA's new power is unclear, but all the same, bears continued monitoring.

Additionally, there is not only a new set of Commissioners in place in Brussels (after considerable delay), but also a new set of Members of the European Parliament. They are very keen to make an impression.

One ray of hope is that the October paper from the Commission discussed working with the industry on issues. How that in turn links, though, with bodies such as the OTC Derivatives Regulators Forum is not yet clear.

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Regulatory issues across the region insured that 2009 was an eventful year for ISDA in Asia Pacific. In general, the region's regulators understand that derivatives were not the cause of the financial crisis, so new initiatives have largely been targeted at perceived shortcomings in specific areas rather than fundamental attempts to alter the regulatory landscape, as in the US and Europe. Broadly speaking, the two biggest themes in Asia Pacific that drove regulatory activism have been corporate use of derivatives for hedging as opposed to for speculative purposes, and the distribution of derivative structured products to retail investors.

In regards to the former, regulators in China, India, Indonesia and Korea all introduced new guidelines designed to curtail the ability of corporate end-users to speculate under the guise of hedging. The China Banking Regulatory Commission issued new rules in July prohibiting cross-border marketing to onshore Chinese corporations, though they allowed banks licensed (and regulated) in China to continue doing such business, provided they demonstrate ability to manage risk and conduct due diligence on the corporate's hedging needs prior to trading. The highly publicized dispute between Chinese state-owned enterprises and foreign banks over commodities trading losses is actually unrelated and, as of this writing, there have been no missed payments or reneging on contracts.

Korea reacted to the politically charged knock-in knock-out (KIKO) contract litigation cases by implementing new FX risk management guidelines that place the burden on banks to ensure that there is an actual hedging need prior to trading. The guidelines also require a new data repository to monitor the volume of hedging trades already in place to ensure that new trades do not exceed total hedging needs. Legislation to set up a new product approval committee to review certain derivative instruments has also passed.

Proposed guidelines by the Reserve Bank of India go one step further by specifying that cost reduction and zero cost structures are not allowed, and imposing very tough and impracticable new requirements on banks to verify the underlying. The industry has recommended that as long as the payout profile of any structure is not worse than that of a simple forward or of not putting on a hedge, then it should be permitted. The industry is also working on a new due diligence framework, such as using Clearing Corporation of India Limited as a data repository.

On the structured products theme, losses on Lehman Minibonds and other structured products became politicized and led to the enactment of new restrictions in Taiwan, as well as in the normally laissez-faire jurisdictions of Hong Kong and Singapore. Taiwan's guidelines are most restrictive, while proposed changes in Hong Kong and Singapore would bring those jurisdictions more inline with European best practices. In Hong Kong, the regulators uncharacteristically forced Lehman Minibond distributors to pay 60-70 percent of face value to end clients. In the meantime, protesters continue to dress as ghosts and stand in front of certain banks every business day demanding further reparations on other Lehman-related structured products.

In order to keep up with the workflow, ISDA organized ad hoc working groups for Hong Kong and Singapore retail structured products, Australia and AEJ CDS coupon standardization, and Malaysian stamp tax; added new twice-yearly member meetings in Korea and Taiwan; and expanded activity in the operations space from quarterly to four asset class monthly working group meetings plus a quarterly implementation group meeting. ISDA's footprint in Asia Pacific now extends to regular coverage of 10 major jurisdictions, Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore, South Korea, Taiwan and Thailand, with the possibility of adding Vietnam in 2010.

Looking at 2010, India's securities regulator has recently censured two banks for mis-reporting the holder of market access products that they had issued, and China's regulators are believed to be contemplating new restrictions on access products. While continuing to react to these issues as they arise, ISDA expects that CCPs will be a key focus in Asia Pacific and has prepared a best practices presentation for interested regulators in the region. Operations will continue to be a focus -- the initial response to the pilot weekly portfolio reconciliation exercise ISDA facilitated between global and regional members was positive. Finally, ISDA has recently added new staff to beef up its risk management capabilities in support of our Asian members whose jurisdictions will shortly begin adhering to Basel II.

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In response to the global scrutiny of OTC derivatives, regulatory discussions in Japan have accelerated. On July 10, the Law Amending the Commodity Exchange Law (the Amendments) was announced, and officials from the Ministry of Economy, Trade and Industry (METI) participated in ISDA's Japan Regulatory Committee meeting on the law. The Commodity Exchange Council, which is being established under the two Japanese commodity futures market regulators (METI and the Ministry of Agriculture, Forestry and Fisheries), intends to harmonize regulations on commodity transactions, whether traded on domestic exchanges, foreign exchanges or OTC. The framework is principally the same as the Financial Instruments and Exchange Act (FIEA) though some additional rules of conduct will be applied, such as new licensing requirements and segregation of customer assets.

As for financial products, the FIEA was amended to strengthen rules for investor protections. Collateral for security-related OTC derivative transactions by non-professional clients will now be segregated in trust accounts. ISDA submitted comments to the Financial Services Agency (FSA) on the practical aspects of the proposed rules, which were confirmed by the FSA in their response published on December 22.

The FSA also started discussions on a new legislative framework for OTC derivatives. On December 17, the Agency published a draft of the revised framework for financial/capital markets regulations. ISDA submitted comments on the relevant OTC portions of the draft, focusing on mandatory clearing through CCPs and credit event determination for cleared CDS transactions. The published document was finalized after these consultations with the industry. The bill based on the framework was submitted to the regular Diet session in March. In 2010, ISDA will continue to monitor the discussions in the Diet and how the FSA will draft the cabinet ordinances, assuming the bill is passed by the Diet.

The recently-formed Japan Determinations Committee (DC) declared that CDS credit events on Japan corporates had occurred in 2009, and the first settlement auction was held. ISDA hosted a series of industry meetings for business, legal and operations professionals to ensure that the entire Japan CDS market was prepared to proceed with the auction. Questions were raised by members on the Turnaround ADR (Alternative Dispute Resolution), a new out-of-court mechanism created by an amendment to the Industry Revitalization Act in 2007 that deals with credit event determinations. The legal sub-committee of the DC published a statement on CDS referencing the entity under the Business Revitalization ADR Procedure for guidance purposes.

In the equity space, ISDA published a Market Practice Statement in October for variance swap transactions involving Japanese shares and indices. This addresses market participants' desire to clarify when exchange-imposed daily price limitations would constitute a Market Disruption Event due to a Trading Disruption. In January, the Revised 2008 Japan Dividend Swap Master Confirmation Agreement (MCA) was published. The new MCA clarifies the scope of material non-cash dividend in dividend swap contacts.

Accounting standards have become increasingly important to the sound development of the OTC derivatives market in Japan. A discussion paper issued by the Accounting Standards Board of Japan (ASBJ) covered the revisions of the Financial Accounting Standards in accordance with the Tokyo Agreement between the IASB and ASBJ, which aims to converge standards by 2011. The issues covered by the paper include the scope of financial instruments, fair value accounting, and hedging accounting treatment for OTC derivatives. ISDA submitted comments to the paper on July 29 and held meetings for members on the progress of the discussions. ASBJ plans to finalize the Exposure Draft (ED) on fair value accounting by the third quarter of 2010 and finalize the ED for hedge accounting in the first quarter of 2011.

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Public Policy

Latin America

The Association has been actively involved in legal reform efforts in several markets in Latin America, with a focus on improving netting of OTC derivatives.

Chile

In November, ISDA submitted a letter to the General Counsel of the Central Bank of Chile, raising member concerns on adopted resolutions that would limit early termination events and suspend netting during certain pre-bankruptcy events. ISDA continues to be involved in dialogue with the Central Bank in reference to these issues.

Colombia

Financial reform legislation in Colombia, which will likely take effect this year, is coming on the heels of ISDA efforts that got underway in 2008. The reform would authorize early termination and netting in bankruptcy and restructuring procedures for OTC derivative transactions involving a Colombian financial institution or commercial corporation and a foreign agent. It would also allow creditors to enforce collateral without judicial intervention up to an amount equal to the net value or balance, in favor of the creditor.

Peru

In Peru, ISDA is working with local counsel to issue an opinion on changes to insolvency laws that establish conditions for netting, applicable to financial institutions and insurance companies. Among the conditions imposed by Circular No G-142-2009 is a requirement to document derivatives transactions under an ISDA approved master agreement, a requirement that the counterparty to the Peruvian financial institution or insurance company must also be a financial institution or insurance company, and a requirement to file documentation governing the derivative transactions with local authorities.

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Public Policy

EMEA

Europe

In Europe, emerging market jurisdictions feature highly on the agenda. Poland remains the top priority, and in coordination with the Polish Banking Association, ISDA is involved in new proposals to address problems of netting and collateral transactions under the current regime. In Slovakia, ISDA submmitted comments to the relevant ministries plus the central bank to address remaining problems around the scope of eligible counterparties to netting and collateral agreements. In Slovenia, ISDA commented to the authorities in order to include substantive netting provisions in local law. Czech Republic consultations have begun to develop a new consolidated law on collateral. The industry is trying to secure and expand certain positive developments which led to the publication of an ISDA collateral opinion. In Hungary, ISDA managed to reinstate positive netting and collateral analysis with regard to corporate counterparties, after amendments from September 2009 had negated these effects. ISDA plans to take further action in the Baltic states, Bulgaria, Croatia, Romania and Serbia. In the CIS region, Russia remains the top priority. Recent changes to the securities market law, as well as the intended adoption of netting legislation envisaged for 2010, are major developments from a derivatives perspective. In Kazakhstan, ISDA will be pushing for the inclusion of netting provisions to the recently adopted provisions on bank insolvency. In Ukraine, the hope is that recent elections will provide a fresh start for legislation.

Middle East

The ISDA/IIFM Tahawwut (Hedging) Master Agreement, the Islamic version of the ISDA Master Agreement, was published. Going forward, various supplemental documents (e.g. confirmation templates, product definitions) will be discussed with members (see separate article). ISDA has made proposals to various regulators in the United Arab Emirates to discuss the introduction of the uniform legal regime for derivatives transactions and insolvency at federal law level and across all UAE entities. Similar discussions are ongoing with regulators in Bahrain and Qatar. In Pakistan, the Netting of Financial Contracts Act has been adopted by the Cabinet of Ministers and is currently in the parliamentary process. The bill is based on the ISDA Model Netting Act.

Africa

A new Insolvency Act has been adopted in Mauritius. It contains a chapter on netting, co-drafted by ISDA. Also included are conflict of law provisions in the area of intermediated securities based on the Hague Securities Convention. The ISDA netting opinion will be published shortly. ISDA has established contacts to regulators in Nigeria to discuss the introduction of derivatives legislation.

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Financial Law Reform

International Organizations, Global Efforts

The Financial Law Reform effort engages various international organizations that affect OTC derivatives. In October 2009, under the auspices of UNIDROIT (International Institute for the Unification of Private Law), the Convention on Harmonized Substantive Rules Governing Intermediated Securities (Geneva Securities Convention) was adopted. One of the chapters of this Convention provides key provisions on various types of collateral arrangements (including title transfer and security interest), which need to be reflected in any modern legislation around this issue. The ISDA proposal for a global convention on netting in financial services has been included in the preliminary UNIDROIT work programme for 2009-2011 and is scheduled for final adoption in May 2010, pursuant to an expert study commissioned by the Secretariat. ISDA previously submitted a draft outline of the project to the Governing Council.

The Hague Conference on Private International Law has invited ISDA to be the industry representative in their expert group on the drafting of an international instrument on party autonomy regarding choice of law in international commercial contracts. The initial meeting took place in January. Furthermore, ISDA is following the progress of the signature/ratification process with regard to the Hague Securities Convention and the Hague Convention of Choice of Court Agreements, which address similar issues.

Within UNCITRAL (United Nations Commission on International Trade Law), ISDA remains involved in the working groups on insolvency and secured transactions respectively. The former is currently discussing additional recommendations to be added to the Legislative Guide on Insolvency that focuses on cross-border enterprises. This work is relevant in the context of the Basel Committee on Banking Supervision's report and recommendations on cross-border resolution regimes for financial institutions, as well as the European Commission's communication on crisis management in the banking sector. Both papers address the coordination of insolvency proceedings, harmonization of substantive insolvency law provisions, firm resolution plans and increased regulatory powers over failing financial institutions prior to formal insolvency or nationalization.

At the European level, the EU Brussels 1 Regulation, on the recognition and enforcement of judgments in civil and commercial matters, continues the review process. The lack of consistency in EU rules around lis pendens and the recognition of exclusive jurisdiction clauses among EU member states remain key to ISDA during this process. The EC is expected to come up with more specific proposals after a first stakeholder meeting on its Communication on cross-border aspects of crisis management in the banking sector as we go to print. This will also be an opportunity to reiterate the need for harmonized EU-wide rules on netting as proposed to the Commission by ISDA/EFMLG previously. Also, in the first half of 2010, the Commission is expected to present initial proposals pursuant to its consultation on harmonized securities law across the EU.

Finallly, country-specific law reform projects with a direct effect on derivatives trading are being initiated or are underway in a number of countries: Ireland (follow-up to National Asset Management Agency Act), Switzerland (depositor protection legislation), Germany (proposed special insolvency law for banks), Austria (amendments to the Insolvency Act), and the United Kingdom (expansion of the 2009 UK Banking Act's special resolution regime to investment firms, plus proposals for new provisions on corporate rescues).

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Risk & Reporting

Managing Change

The Trading Book is not the happy place it used to be. Capital requirements against all instruments held for the short term - including many derivatives – are likely to rise by so much in the coming years that a major impact on the market seems inevitable. A quantitative impact study (QIS) released by the Basel Committee on Banking Supervision in late 2009 and based on data submitted by firms showed a massive increase in capital required; and that study did not even take into account impending trading book changes. A whole additional package of proposed measures, outlined in Basel's December 2009 paper Strengthening the Resilience of the Banking Sector, also was not accounted for. What is nonetheless clear is that current proposals have potentially huge significance, both for the treatment of counterparty risk in derivative portfolios and for the gross size of those portfolios.

The concept of Trading Book regime changes is not surprising or even objectionable. Clearly, the old rules allowed over-optimistic assumptions as to market liquidity, particularly for credit-linked instruments. However, when the QIS showed that the regime changes would result in an average capital increase around 200 percent (taking effect from end-2010), there was a sharp intake of breath. Moreover, there was considerable dispersion around that average; meaning that for many firms the increase was much higher, with some seeing growth of over 1,000 percent.

Of course, that necessarily means some firms are much less affected. But since the QIS omitted the impact on holdings of securitization tranches, it had a serious gap and not just on technical grounds. Arguably the whole lesson of the crisis (and therefore the proper response of Basel to it) was these tranches' fatal plunge into illiquidity.

Addressing that would seem an important part to get right. Now there is a clear risk of major damage to hedging instruments caused by the new Trading Book regime, despite the fact that these instruments continued to function through the crisis. Future developments in this area will depend on firms taking particular care over this year's "comprehensive" QIS, to ensure the Basel Committee has the full and accurate picture.

Also, in the December package, a leverage ratio, setting capital requirements for gross assets rather than risk-weighted ones, threatens to follow accounting standards and ignore the effects of netting. No one is sure yet where the ratio will bite, but no one can afford to be complacent.

In addition, a long list of measures focused on counterparty risk will mean yet more capital to be raised. Basel has tried to hedge this, saying these further measures will not take effect until end-2012 at the earliest, to give those who must raise equity a chance to do so in improving economic circumstances. Firms are understandably nervous about waiting until 2012 to do that.

In accounting, the post-crisis debate on fair value and how to keep it workable rumbles on. An unresolved issue is how to mark assets to market when, for all practical purposes, the market has temporarily dried up. Elements of the likely new capital regime interact significantly with the accounting world. A key point here is the attempt to make the capital regime less pro-cyclical – at which point the provision rules loom large.

With these potentially large developments, 2010 could be a watershed year for risk and reporting.

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Infrastructure

Industry Governance Structure

ISDA's new industry governance structure is the industry's first comprehensive and formalized governance model for post -trade activities. The structure delineates where decision-making power resides with post-trade activities, and defines channels of communication between industry and regulators. Many of the bodies covered by the structure were existing industry groups, others more recently established. The governance structure determines intra-industry relationships, including among regulators and vendors, as well as infrastructure providers. Broadly speaking, it is three-layered:

- ISDA Industry Governance Committee (IIGC, Layer 1) is made up of ISDA Board members, the Steering Committee chairs and buy-side nominees, and is responsible for directing the strategic agenda at a cross asset-class level.
- Steering Committees (Layer 2) are made up of senior representatives of four committees related to individual asset classes (Rates, Equities, Credit and Commodities), and two which operate at the cross-product level (Operations and Collateral);
- Implementation Layer (Layer 3) is comprised of Implementation Groups and the Working Groups, and is charged with dealing with more tactical and technical matters, but overall is responsible for delivering against the objectives set by the Steering Committees.

A cornerstone feature of the structure is that it enshrines the principle of buy-side representation throughout. The intention is that each committee should reflect two-thirds sell-side and one-third buy-side in its composition.

The structure lays out in some detail procedures to be followed in conducting votes as and when necessary. It also sets out provisions in connection with the election of chairs, meeting frequency, record-keeping and member de-selection. ISDA recognizes that industry governance is an evolving and developing topic. We will keep the structure under review, and will make changes and additions as and when appropriate.

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Trade Repositories

The establishment of trade data repositories has been a key element of the industry's reformation of post trade processes. In partnership with regulators, repositories have been built and are in operation for the credit and interest rates asset classes; an equity repository is scheduled to go live by the end of July 2010.

The fundamental purpose of trade data repositories is to act as a central (and ideally global) store of OTC derivatives trade records. ISDA supports the concept of single, global repositories in respect of each asset class, in order to achieve the maximum possible concentration of data. Access to the data is given to the supervisors and this affords them insight into positional sizes, build-ups and trends. At an aggregated level, the repository data is also made available to the public.

The concept of repositories is not new; indeed The Warehouse Trust (which stores details of credit derivatives transactions) has been in operation for years and has near-universal coverage in respect of that asset class. The Warehouse Trust is a subsidiary of the Depository Trust & Clearing Corporation (DTCC) Deriv/SERV.

One important distinction however should be made between the main characteristics of a pure repository on the one hand, and a trade information warehouse on the other. A repository merely stores and reports against the trade data that it holds. A warehouse affords additional through-life processing functionality in respect to settlements and credit event handling. The trade record held within the warehouse is also the conclusive prime legal record of the trade. This is not the case with a pure repository, where the record held is merely a reflection or duplication of the definitive confirmation.

ISDA played a central role in the Request For Proposal processes, with TriOptima chosen in September 2009 to work and deliver the Interest Rate Reporting Repository. Month-end data for December 2009 was submitted by participants to TriOptima at the beginning of January 2010. The first formal reports to regulators were provided mid January and these included overall trade summary (gross notional and trade count by instrument); trade summary by currency (gross notional in local currency and USD and total trade count split by local currency) and trade summary by maturity date (gross notional in USD and total trade count by maturity date and instrument type).

Participants and TriOptima are actively working with regulators to define the scope of the reporting repository for 2010 and the current plan will increase the reporting capacity to include cleared trades and participant type. Public reporting is also scheduled to be made available in the first half of 2010.

DTCC/MarkitSERV was selected to build the Equity OTC Derivatives Trade Reporting Repository, in a decision made by the Equity Steering Committee in October 2009.

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Infrastructure

Trading Infrastructure covers ISDA's cross-regional post-trade activities, and is aligned to the governance structure, such that individuals will be responsible for a Steering Committee and its corresponding Implementation Groups and Working Groups. Last year saw some substantial developments:

Collateral management: During 2009, a formal methodology for the resolution of margin disputes was devised; this will be fully implemented by the industry by mid-2010. Major dealers are now reconciling significant portfolios on a daily basis, and this practice is being extended across the market. Work continues to develop recommendations with respect to handling initial margin.

Commodities Operations White Papers: In an effort to further standardize OTC commodity derivatives processing and reduce operational risk, three commodities operations white papers were developed and published via ISDA. The papers detail the importance of, and set forth key operational elements in regard to, electronic confirmation matching, settlements and lifecycle events. In response to feedback from Supervisors, the Commodities Steering Committee consolidated the three documents into a single best practices paper and published the updated document for Supervisors and the broader ISDA community.

Establishment of the Equity Steering Committee: In February 2009, ISDA established the Equity Steering Committee (ESC) of senior business representatives from G15 firms, buyside firms and trade associations to provide senior strategic direction in the equity derivatives market. The ESC reviews proposals from the operational groups within the ISDA governance structure as they deliver against commitments to regulators, and develop industry infrastructure. In addition, the ESC has been coordinating educational sessions for regulators on the equity derivatives market. Finally, the ESC was integral to the selection process for the OTC Equity Trade Reporting Repository, and a vendor for Cash Flow Matching via ISDA facilitated RFP processes.

Interest Rate Trade Reporting Repository: Industry participants committed to global regulators to deliver a Trade Reporting Repository for Interest Rates by December 31, 2009. ISDA coordinated the Request for Proposal process, which selected TriOptima to deliver the Interest Rate Trade Reporting Repository. The deadline date was met in good time, and month-end data was submitted by participants to TriOptima.

Inflation: On November 20, 2009, ISDA published Supplement 1 and Exhibit I-A to the 2008 ISDA Inflation Derivatives Definitions. The Supplement provided a definition for the Daily Inflation Rate, commonly used in asset-linked inflation transactions. Exhibit I-A provided additional provisions for the paper confirmation of such transactions. This industry standard allows firms to confirm transactions in a shorter form, reduce mismatches and increase execution turnaround time.

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FpML

New product coverage in FpML has focused on the areas of physical commodities and syndicated loans. After the inclusion of financial commodities, the Commodities Working Group added support for physical commodities, such as swaps for electricity, natural gas, oil and coal. In addition, support for bullion forwards has also been included. Existing product areas have been updated as well to reflect ongoing changes in legal documentation and market practice. For example, credit default swap representation has been updated to support different standard contracts, and the Equity Derivatives Working Group has incorporated new requirements from the equity legal framework.

The current primary focus is expansion of the business process coverage to support collateral management and reporting. Collateral management messages will be added in FpML, building upon the work developed by the ISDA Collateral Committee. The processes in scope are margin call, interest payment and substitution. FpML is working in parallel with other industry standard organizations such as Swift, under the ISO umbrella, to create the collateral business model representation in ISO 20022, ensuring that the FpML collateral messages will be ISO compliant. FpML is also collaborating within the OSC Cross Asset Class Reporting Implementation Group to ensure that all requirements defined by the OSC are supported by FpML.

In 2009, FpML Versions 4.5 and 4.6 were published as Recommendations, following the six-month cycle for minor versions. Version 4.7 was also published as Recommendation as well in February 2010. The next major version (5.0) is moving towards completion. At this stage, all major architectural changes have been implemented, for instance the messaging framework has been redesigned to ensure better consistency. The changes in Version 5.0 allow for the inclusion of reporting and other work for which a more flexible representation of the transaction information is needed.

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Documentation Committee

ISDA expanded the Documentation Committee by forming an advisory board comprised of leading market participants representing both buy- and sell-side institutions. The Documentation Committee provides overall direction for all ISDA documentation projects with a focus on expanding and updating the suite of ISDA publications and ensuring the enforceability of the Master Agreement netting provisions globally.

The Advisory Board will provide strategic guidance and leadership to the Documentation Committee's work on a range of topics, including new product documentation, resource allocation across projects, legal opinion scope and coverage, and decisions concerning ISDA's Amicus activity. The institutional and regional diversity as well as expertise of Board members will assist in facilitating a globally consistent approach to documentation development and maintenance that is sensitive to ISDA's diverse membership.

The Advisory Board includes the current chairs of the ISDA Documentation Committee Chip Goodrich (Deutsche Bank), Serge Salabi (BNP Paribas), Teruo Tanaka (Royal Bank of Scotland) and Don Thompson (JP Morgan Chase). New members who have agreed to serve are: Tricia Bowden (Goldman Sachs), Sarah Lee (Bank of America Merrill Lynch), Christopher Ramsay (Citadel Investment Group) James Starky (Cairn Capital) and Andrew Wan (Citibank).

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PRODUCTS

Structured Products

Building the Retail Business

The structured products focus in 2010 will undoubtedly be the multiple, major strands of regulatory work, particularly on investments sold to retail (RSP). The very concept of "retail" will be tested in that process, as it may potentially be redefined. In the meantime, business continues to be done, even in places where investors made losses in 2008-09.

The fall-out from the 2007 credit crunch continues, though Hong Kong and Singapore regulatory reaction to investors losing out on credit-linked notes was notably moderate (the investment focus has moved to other underliers, anecdotal evidence suggests). In both jurisdictions, regulatory work continues; and in both cases, the most interesting aspects are arguably where that work intersects with international debate, including the challenge of condensing the essence of RSP offerings into a standardized, short summary document (referred to in Europe as the Key Information Document, or KID).

The bigger picture is, of course, one of considerable uncertainty. In the minds of some commentators, there is clearly a lack of discrimination between forms of structured products. Some assume that the informational issues that arose with certain securitization tranches can legitimately affect the treatment of, say, equity-linked notes, where the basic investment proposition is quite straightforward.

At a regional level, the European Commission will continue its work on Packaged Retail Investment Products, commonly called PRIPs. This admirably seeks to achieve consistency of regulatory approach across different types of “wrappers” — notes, deposits, funds or insurance policies. The question is, will individual EU Member States remain aligned with the work?

Internationally, IOSCO is trying to bring some order to the debate, with a group addressing “complex financial products”. This immediately raises the question of the definition of complex. That definition in turn will interact with the categorization of customers. (Even for an unsophisticated customer, complexity of mechanics should not be a significant issue, if the investment proposition is clear. For a sophisticated customer, arguably it should be irrelevant.) IOSCO’s work will run through 2010.

Across these levels, the main concern is that in a legislative world, which appears temporarily to have forgotten that investors not only can but actually should be required to take responsibility for their investment decisions, extreme results could easily ensue. At best, it is likely to add to the bureaucracy in the market.

Again, the industry is stepping up to the plate. After the sets of principles published in 2007 and 2008, the Joint Associations Committee is working actively on a constructive approach to Key Information. The exact deliverable of this will become clear in the course of early 2010.

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Islamic Finance

Tahawwut Master Agreement

The work of many months and organizations throughout 2009 came to fruition on March 1, 2010 as the official launch of the ISDA/International Islamic Finance Market (IIFM) Tahawwut (Hedging) Master Agreement was held in Manama, Bahrain under the auspices of the Governor of the Central Bank. The global ISDA/IIFM Tahawwut Master Agreement, for transactions in Islamic derivatives, is a breakthrough in Islamic finance and risk management and marks the introduction of the first globally standardized documentation for privately negotiated Islamic hedging products.

Launch attendees included ISDA Chairman Eraj Shirvani (sixth from right), ISDA Executive Vice Chairman Robert Pickel (fourth from right), Ijlal Ahmed Alvi, Chief Executive Officer, IIFM (third from right), Khalid Hamad, Chairman of IIFM and Executive Director of Banking Supervision at Central Bank of Bahrain (fourth from left) and Central Bank of Bahrain Governor Al Maraj (fifth from left).

The new Master Agreement is the first financial industry framework document that is applicable across all jurisdictions where Islamic finance is practiced. ISDA and IIFM jointly developed the Tahawwut documentation under the guidance and approval of the IIFM Shariah Advisory Panel and in consultation with market participants. The published document consists of the Tahawwut Master Agreement and an Explanatory Memorandum, both of which are part of the official Shariah Pronouncement.

It provides the structure under which institutions can undertake Islamic hedging transactions such as profit-rate and currency swaps, which represent most of today's Islamic hedging transactions, and is designed to be used between two principal counterparties. Parties understand that no interest shall be payable or receivable and no settlement based on valuation or without tangible assets is allowed. Moreover, the counterparties affirm that they enter into Shariah-compliant transactions only.

It is a completely new framework document though the structure of the document is similar to the conventional ISDA Master Agreement. The key mechanisms and provisioning such as early termination events, closeout and netting are developed based on the Islamic Shariah principles.

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Products

Interest Rate Derivatives

The Rates Steering Committee continues to represent the industry in dialogue with regulators on implementing structural changes to the over-the-counter interest rate derivatives market. Toward this end, the Committee has helped the industry meet regulator-established operational targets while simultaneously committing to enhanced targets such as clearing at least 90 percent of new eligible trades (a collective target calculated on a weighted average notional basis), and clearing 75 percent of historically eligible trades (collectively) by June 30, 2010.

ISDA has also committed to extending the range of products that are clearing-eligible to Overnight Index Swaps and collaborated with central counterparties to facilitate customer access to rate derivatives clearing; and committed to refining reporting requirements and establishing central trade and data repositories.

Through the Interest Rate Operations Working Group, the ISDA Legal Department has published numerous Supplements to the 2006 ISDA Definitions. Highlights include the publication of Floating Rate Options including rate options for a host of Asian and Middle Eastern currencies, and a Supplement redefining the methods of Compounding and providing for the addition of a new method, Spread Exclusive Compounding. These simpler and more precise formulations illustrate ISDA's continuing effort to be at the forefront of industry standardization and operational efficiency.

Looking ahead, ISDA is drafting a new Cash Settlement Method to be used in connection with the early termination of cross currency swaps. This supplement to the 2006 Definitions, along with the first iteration of the matrix referenced therein, should be published in the first half of 2010.

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Products

Equity Derivatives

The various equity documentation working groups at ISDA focused on standardizing documentation to facilitate electronic trade processing, publishing standard Annexes for eight different products, covering multiple different markets.

For Emerging Markets, ISDA published an annex to document closed market share and index options where the share or index was resident in India, Indonesia, Korea, Malaysia, Taiwan or Thailand. ISDA is also developing standard option terms for transactions referencing Emerging European Closed Market shares and indices. ISDA is also completing documentation for the interdealer discrete swap business for all of the regions: in September, we published the Pan-Asia Interdealer Share Swap Annex and the Pan-Asia Interdealer Index Swap Annex. As part of these Annexes, for the first time in an ISDA publication, Japan share and index underliers were documented alongside swaps referencing Asian open and closed market jurisdictions, including the Philippines and Vietnam. In addition, ISDA published Annexes to document discrete interdealer swaps in Europe and client facing index swaps on U.S. and European underliers.

In October 2009, DTCC/MarkitSERV was selected by market participants to run the Equity Derivatives Reporting Repository (EDRR). The EDRR is scheduled to go live on July 31 and currently a small working group nominated by the Equity Steering Committee and the OTC Regulators Forum is working through the details of what the reporting content and frequency parameters will be.

The next step to further standardize product documentation is the consolidation, review and update of the 2002 Equity Definitions. The resulting 2010 Equity Definitions will expand coverage to include a wider set of product types, payoffs and underliers and will introduce a menu approach to facilitate standardization of contractual terms and product flexibility. During implementation in 2011, the industry will use the range of menu items as published in the new Definitions to create matrices and subsequent master confirmations agreements.

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Products

Energy, Commodities & Developing Products

A number of documentation projects were finalized in 2009, including the publication of the revised ISDA Global Physical Coal Annex. It reflects changes to the CTA and SCoTA agreements and adds a suite of confirmation templates for forwards and options in both US-sourced and internationally-sourced coal.

The 2009 Addendum Agreement to the ISDA North American Gas annex was published in October to reflect the revised reference document (2006 NAESB contract). A confirmation template has also been prepared and will be published in the first half of 2010. In the area of natural catastrophes, swap confirmation templates for US wind transactions have been published as well. Work continues in developing standardized confirmation templates for commodity index transactions. These cover total return and excess return swaps and options on S&P GSCI, DJ-UBS and RICI indices. The revised ISDA US Emissions Annex provides for the inclusion of various regional trading schemes (such as RGGI, WCI) plus voluntary emissions products. ISDA is also working on an International Emissions Annex to provide a standard contract form for carbon allowances into and within trading schemes in Australia, New Zealand, Japan and Switzerland, as well as “scheme-neutral” transactions. This project is subject to various global and regional developments in the regulatory framework for carbon emissions trading post-2012.

The Canada Addendum to the ISDA US Oil Annex is scheduled for completion in the first half of 2010, to be followed by publication of the combined document as the ISDA North American Oil Annex. It has been suggested to expand the document to cover waterborne deliveries. The various new templates will be added to the ISDA Commodity Definitions. The list of Commodity Reference Prices (Sub-Annex A) in the Definitions will be revised and expanded during 2010. Various new products, including iron ore, will be added.

In spring 2010, ISDA members will discuss future documentation projects for the rest of the year. Suggestions for further work include freight options, Continental European physical gas transactions, a review of the ISDA Energy Bridge, an ISDA document for global transactions in physical oil and renewable energy certificates. Some commodity-specific work is also underway in the ISDA committees on regulatory affairs as well as operations-related matters.

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EDUCATION & OUTREACH

Research

Thought leadership for the industry

Research Notes

ISDA Research contributed three Research Notes over 2009. The first discussed transaction transparency for OTC derivatives and considered the costs and benefits of mandating a higher level of transparency as opposed to allowing transparency to evolve in response to market demands. The second reviewed the results of the Derivatives Usage Survey (discussed below) and also discussed the challenges facing the growth of OTC derivatives in Russia. The third discussed the “empty creditor” hypothesis – that hedging credit risks makes bankruptcy a more attractive option than restructuring. The note pointed to the lack of evidence in support, as well as to some flaws in the logic of the argument.

The first Note for 2010 will be released as the Yearbook goes to press and will cover the risk management and public policy arguments surrounding close-out netting. The Notes are free and available to download at: http://www.isda.org/researchnotes/isdaresearch.html

Along with quarterly Research Notes, ISDA Research will contribute regular briefs on topics of current interest, appearing in ISDA News, which is emailed to our members. The first brief appeared in March and previewed the netting paper. Along with public policy issues, future Research publications will discuss new product developments and derivatives infrastructure and market practice issues.

Surveys

The 2008 credit crisis affected the results of both the ISDA Market Survey and the ISDA Margin Survey for 2009. In the Market Survey, notional amounts outstanding fell for interest rate, credit and equity derivatives during the second half of 2008, although the results at mid-year 2009 suggested that conditions had begun to stabilize. In the 2009 Margin Survey, the effects of the credit crisis showed up in an 86 percent increase in the gross amount of collateral outstanding; the 2010 Margin Survey will report a lower number consistent with the improvement in market conditions over 2009.

The 2009 Operations Benchmarking Survey (OBS) showed that financial market dislocations during 2008 did not obstruct improvements in the OTC derivatives post-trade processing infrastructure. Equity derivative and currency option transaction volumes showed decreases during 2008, but other product volumes, including credit derivatives, increased during that time. A notable survey result is that average confirmations outstanding fell significantly from the previous year. Looking forward, the 2010 OBS will increase its focus on infrastructure improvements by reporting statistics on participation in industry initiatives such as electronic confirmations.

ISDA also conducted a Derivatives Usage Survey of the world's 500 largest companies. The survey used information in annual reports and found that 94 percent of the companies in the sample use derivatives in some way to manage risks. The most common use of derivatives is to hedge currency risk, followed by hedging interest rate risk. Further, in some countries such as Canada, France, Japan, the Netherlands and the United Kingdom, all reporting firms use derivatives. Finally, outside of financial institutions, utilities and basic materials companies are the most likely category of firm to use derivatives.

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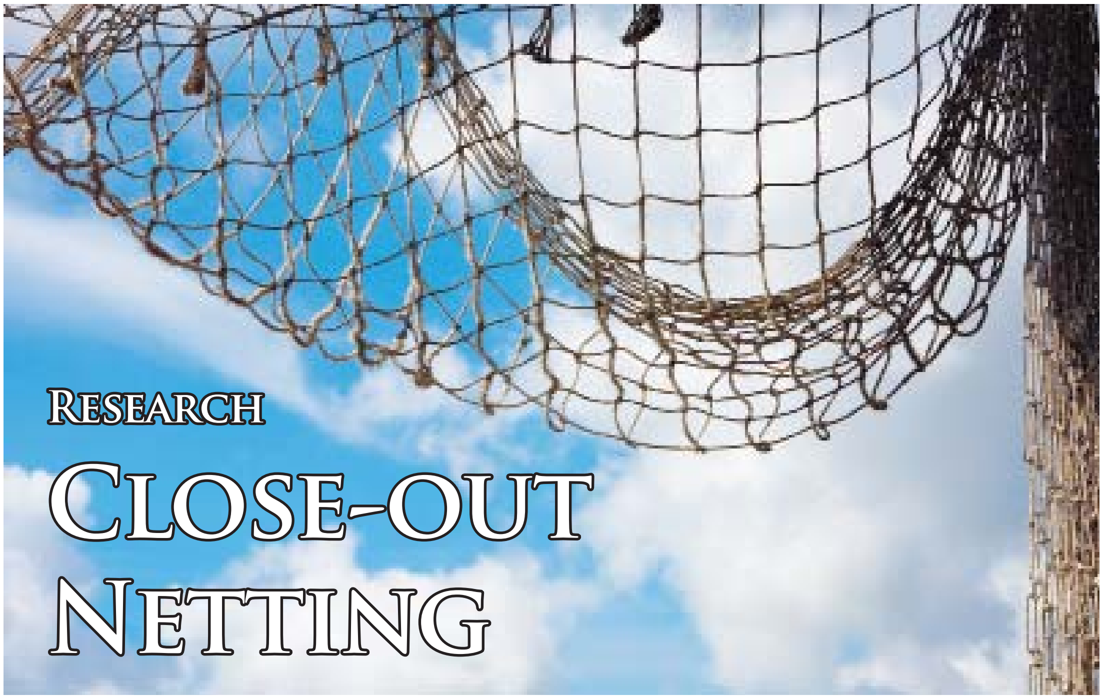

Close-out netting following default is one of the key elements of risk management for OTC derivatives, allowing businesses, investors, and governments to manage their risks in a precise and safe manner. According to the Bank for International Settlements, by 2009 close-out netting reduced counterparty credit exposure by 85 percent. Despite these results, some have suggested a review of legal provisions that are essential to the enforceability of close-out netting in an insolvency proceeding. While some involve brief delays to the process in connection with insolvencies, in the US there have been more radical proposals, mostly from academics, to repeal legal protections altogether. A new edition of ISDA Research Notes in Q2 2010, will describe these proposed changes in detail and address the arguments of their proponents; what follows is a brief on the provisions that are necessary for close-out netting to be enforceable.

In common parlance, netting is used interchangeably with the legal term set-off, which is the combining of offsetting obligations between two or more parties into a single net payable or receivable for each party. Close-out netting under the ISDA Master Agreement goes beyond set-off, however, and involves the termination of transactions between a defaulting and a non-defaulting party; followed by determination of mark-to-market values and summing these to a net "close-out amount"; and finally the payment of the close-out amount from one party to the other. If the non-defaulting party owes the close-out amount, it is due immediately, while if it is owed to the non-defaulting party, it becomes subject to the insolvency proceedings.

The necessity of this procedure is inherent in the OTC derivatives business, which is based on the transfer and hedging of risks. When a dealer enters into a new transaction, the risk taken on is hedged in some way, often with other derivatives dealers. As deals mature and markets change (through interest rates, credit spreads and other variables), dealers continually adjust their hedges to protect themselves from adverse market movements. In such a model, the insolvency of a counterparty means that a dealer’s book is no longer balanced, and must be rebalanced by either replacing the defaulted transactions or unwinding hedge transactions. In order to manage such risks with certainty, dealers need the ability to close out defaulted transactions -- and thus the reason for close-out netting.

For the process to be effective in an insolvency proceeding, three things are necessary. First, non-defaulting parties must have the right to terminate contracts with the non-defaulting party based solely upon the defaulting party’s insolvency filing. Second, non-defaulting parties must be exempt from automatic stays or other provisions of bankruptcy laws that delay exercise of a creditor’s rights. Finally, there must be restrictions on cherry picking, that is, an insolvency administrator’s right to reject out-of-the-money transactions while demanding payment of in-the-money transactions.

These three conditions are already in place in England and other jurisdictions that follow English legal traditions. Elsewhere, ISDA has had to pursue enforceability in two ways. The first is through netting legislation containing provisions such as those described above; as of February, 37 jurisdictions have enacted netting legislation and four more are considering doing so. The second is through legal opinions regarding the enforceability of netting under local laws, including those jurisdictions that have enacted netting legislation; as of February, ISDA has obtained netting opinions on 54 jurisdictions. Along with legislation and legal opinions, ISDA will continue its education outreach to policy makers to ensure that the risk reduction benefits remain well understood.

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Membership

In 2009, ISDA welcomed 59 new members. To date ISDA's membership totals over 820 financial institutions, government entities, corporations and professional service providers, spanning 57 countries across six continents. 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 54 jurisdictions. In addition to the netting opinions, ISDA provides members with legal opinions on the ISDA Credit Support Documents from 44 different jurisdictions. A collateral opinion for Brazil has been commissioned.

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

ISDA members receive substantial discounts when ordering copies of the Master Agreement and supporting documents 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.

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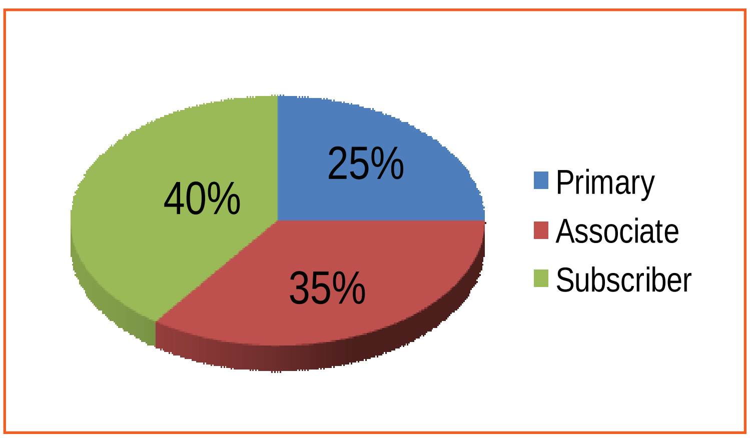

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Allied Irish Banks, plc
American International Group, Inc.
AmInvestment Bank Bhd
Andorra Banc Agricol Reig, S.A. (ANDBANC)
Aozora Bank
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Australia and New Zealand Banking Group, Limited
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Banca Popolare di Milano scarl
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Banco Bilbao Vizcaya Argentaria, S.A.
Banco BPI, S.A.
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Banco Espanol de Credito, S.A. (BANESTO)
Banco Espírito Santo S.A.
Banco Itaú S/A
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Banco Votorantim S/A - Nassau Branch
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BAWAG PSK AG, Vienna
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BHF Bank (Berliner Handels-und Frankfurter)
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BP Plc
Branch Banking and Trust Company (BB&T)
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Caja De Ahorros De Galicia
Caja de Ahorros Y Monte de Piedad de Madrid
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Carnegie Investment Bank AB
Ceská sporitelna, a.s.
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China Development Financial Holding Corporation
Chinatrust Commercial Bank
The Chuo Mitsui Trust & Banking Co. Ltd.
CIBC World Markets Inc.
Citadel Securities LLC
Citigroup
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Daiwa Securities Capital Markets Co. Ltd.
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HSBC Holdings plc
HSH Nordbank AG
Hydro-Quebec
ICICI Bank Limited
IKB Deutsche Industriebank AG
Industrial and Commercial Bank of China
Industrial Bank Co., Ltd.
Industrial Bank of Korea
ING Bank N.V.
Intesa Sanpaolo SpA
Investec Bank Limited
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Jefferies Group, Inc
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STASCO
State Bank of India
State Street Bank & Trust Company
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Sumitomo Trust and Banking Co., Ltd.
Suncorp-Metway Limited
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Svenska Handelsbanken (Handelsbanken Markets)
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Sydbank A/S
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The Toronto-Dominion Bank
Totsa Total Oil Trading S.A.
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United Overseas Bank Limited
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VTB Capital Plc.
Wells Fargo & Company
Westdeutsche Genossenschafts-
Zentralbank eG
WestLB AG
Westpac Banking Corporation
XL America, Inc.
Zurcher Kantonalbank

TOTAL PRIMARY MEMBERS: 208

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IntercontinentalExchange, Inc.
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Loyens & Loeff
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Milbank, Tweed, Hadley & McCloy
Misys International Banking Systems Ltd
Mitsui Company
Moody's Investors Service, Inc.
Moore & Van Allen PLLC
Morgan, Lewis & Bockius
Mori Hamada & Matsumoto
Morrison & Foerster LLP
Munsch Hardt Kopf & Harr, P.C.
Nagashima Ohno & Tsunematsu
NASDAQ OMX Stockholm AB
NautaDutilh
NetDelta LLC
Newedge Group
Nishimura & Asahi
Norton Rose LLP
Novarum Risk Management UK Limited
NS Solutions Corporation
NTT Data Corporation
ODL Securities Limited
Ogier
Ogilvy Renault
Oh-Ebashi LPC & Partners
Olswang
O'Melveny & Myers LLP
Omgeo
Orrick, Herrington & Sutcliffe LLP
Osler, Hoskin & Harcourt LLP
Patton Boggs LLP
Paul, Weiss, Rifkind, Wharton & Garrison LLP
Pekin & Pekin
Peltonen, Ruokonen & Itainen Oy
Pillsbury Winthrop Shaw Pittman LLP
Pinheiro Neto - Advogados
Pinsent Masons
Plesner Svane Grønborg, Law Firm
PricewaterhouseCoopers
Progress Software
Purrington Moody Weil LLP
Quick Corp.
Quinn Emanuel Urquhart Oliver & Hedges LLP
Rating and Investment Information, Inc.
Reed Smith LLP
Reuters
Richards Kibbe & Orbe LLP
Ritch Mueller, S.C.
Rojs, Peljhan, Prelesnik & Partners
Ropes & Gray
S.W.I.F.T. sc
Salans LLP
Sapient
Schellenberg Wittmer
Schiff Hardin LLP
SCHOENHERR RECHTSANWAELTE GMBH
Schulte Roth & Zabel LLP
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Shearman & Sterling LLP
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Shin & Kim
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Skadden, Arps, Slate, Meagher & Flom
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Standard & Poor's
Stephenson Harwood
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Sullivan & Cromwell
Sutherland, Asbill & Brennan LLP
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Taylor Wessing
Teigland-Hunt & Associates LLP
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Thunderhead Ltd.
TMI Associates
Tokyo Financial Exchange (TFX)
Tokyo Stock Exchange Group, INC.
Tradeweb Markets LLC
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TriOptima
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Uria Menendez Abogados, S.L.P.
Ustariz & Abogados Estudio Juridico
Vinson and Elkins L.L.P.
VOB-Service GmbH
Vyapar Capital Market Partners LLC
Wachtell, Lipton, Rosen & Katz
Walder Wyss & Partners
Weil Gotshal & Manges
WFW Global LLP
White & Case LLP

ISDA ASSOCIATE MEMBERS

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Wistrand Advokatbyra
WOLF THEISS Rechtsanwälte GmbH
Womble Carlyle Sandridge & Rice, PLLC
Wong Partnership
Yigal Arnon & Co.
Yulchon
Zaid Ibrahim & Co.

TOTAL ASSOCIATE MEMBERS: 283

ISDA SUBSCRIBER MEMBERS AS OF MARCH 8, 2010

Aareal Bank AG
AB Svensk Exportkredit
AEGON USA Investment Management, LLC
African Development Bank
AGF Asset Management
Alberta Treasury Branches (ATB Financial)
Alexandra Investment Management, LLC
Alliance Capital Management L.P.
Allstate Investments, LLC
Alpiq
Ambac Financial Group, Inc.
American Electric Power Service Corporation
American Express Company
American Honda Finance Corporation
Ameriprise Financial, Inc.
AMVESCAP plc
Anchorage Advisors, L.L.C.
Artradis Fund Management Pte Ltd
Asian Development Bank
Athilon Structured Investment Advisors, LLC
Aurelius Capital Management, LP
Austrian Federal Financing Agency (AFFA)
Aviva Investors Global Services Limited
AXA BANK EUROPA SA
AXA Investment Managers Paris
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Baillie Gifford & Co.
BAM
Banca d'Italia
Banco de Portugal
Bank for International Settlements
Bank Nederlandse Gemeenten, nv
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Bank of Canada
Bank of England
The Bank of Fukuoka, Limited
The Bank of Kyoto, Ltd.
Bank of Lithuania
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Banque et Caisse d'Epargne de l'Etat, Luxembourg
The Baupost Group, L.L.C.
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BG Group Plc
BKW FMB Energie AG
BlackRock Financial Management
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BlueMountain Capital Management, LP
Bradford & Bingley plc
Brevan Howard Asset Management LLP
Bridgewater Associates, LP
Brown Brothers Harriman & Co.
Bunge SA
Business Development Bank of Canada
Cairn Capital Limited
Caisse Centrale Desjardins
Caisse de depot et Placement du Quebec
Caisse des Dépôts
Caixa Económica Montepio Geral
California Department of Water Resources - Electric Power Fund
California State Teachers' Retirement System (CalSTRS)
Canada Mortgage and Housing Corporation
Canada Pension Plan Investment Board
Capital One Financial Corp.
Cassa Depositi e Prestiti S.p.A.
Central Bank of the Russian Federation (Bank of Russia)
Channel Capital Advisors LLP
Chevron Corporation
Cheyne Capital Management (UK) LLP
China Development Bank
Citadel Investment Group, L.L.C.
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Co-Operative Financial Services Limited
COREALCREDIT BANK AG

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Deutsche Postbank AG
Drax Power Limited
DTE Energy Trading, Inc.
Dunbar Bank Plc
Dutch State Treasury Agency
DW Investment Management, LP
E.ON Energy Trading SE
EADS NV
Eksportfinans ASA
Electrabel NV/SA
Electricite de France
Elektrizitaets-Gesellschaft Laufenburg AG (EGL AG)
Ellington Management Group, L.L.C.
Elliott Management Corporation
Endesa Italia SpA
Endesa, S.A.
Enel SPA
Eni S.p.A.
Eskom Holdings Limited
Essent Energy Trading B.V.
Eton Park Capital Management, L.P.
Eurasian Development Bank
EUROFIMA
European Bank for Reconstruction & Development
European Investment Bank
Export Credits Guarantee Department
Export Development Canada
The Export-Import Bank of China
F&C Management Limited
Fairfax Financial Holdings Limited
Federal Home Loan Bank of Atlanta
Federal Home Loan Bank of Boston
Federal Home Loan Bank of Chicago
Federal Home Loan Bank of Cincinnati
Federal Home Loan Bank of Dallas
Federal Home Loan Bank of Des Moines
Federal Home Loan Bank of Indianapolis
Federal Home Loan Bank of New York
Federal Home Loan Bank of Pittsburgh
Federal Home Loan Bank of San Francisco
Federal Home Loan Bank of Seattle
Federal Home Loan Bank of Topeka
Federal Home Loan Mortgage Corporation (Freddie Mac)
Federal National Mortgage Association (Fannie Mae)
Fidelity Investments Money Management, Inc.
Fifth Third Bank
FIL Limited
Florida Power & Light Company
Florida State Board of Administration
FMC Corporation
Fonds de Réserve pour les Retraites
Ford Motor Credit Company
Friesland Bank N.V.
Future Fund Board of Guardians
Gas Natural sdg, S.A.
Gazprom Marketing & Trading Ltd
General Electric Capital Corporation
General Re Financial Products Corp.
Genworth Financial
Glencore International AG
GLG PARTNERS LP
Gordian Knot Limited
Government Debt Management Agency Private Company Limited by Shares (Hungary)
Government of Canada, Department of Finance
Government of Singapore Investment Corporation Pte Ltd
The Government Pension Fund of Norway
Groupama Asset Management
Gunvor International BV, Amsterdam, Geneva
Harvard Management Company, Inc.
HBK Services LLC
Hellenic Bank Public Company Ltd
Henderson Global Investors Limited
Highbridge Capital Management, LLC
Howard Hughes Medical Institute
Hypo Alpe-Adria Bank International AG
Icahn Capital LP
ICCREA Banca S.p.A.
III Offshore Advisors
Indian Oil Corporation, Limited
Instituto de Credito Oficial
Instituto de Gestao de Credito Publico
Intel Corporation
Inter-American Development Bank
International Finance Corporation
Int’l Bank for Reconstruction (World Bank)
Ionic Capital Management LLC
IXIS Asset Management
J&S Group Limited
Janus Capital Management LLC
Japan Post Bank Co., Ltd.
John Hancock Financial Services

ISDA SUBSCRIBER MEMBERS

The Joyo Bank, Ltd.
KAS Derivaten Clearing N.V.
KfW
King Street Capital Management, L.P.
Kingdom of Belgium
Kingdom of Denmark
Kingdom of Sweden
Kiwibank Limited
Kommunalbanken AS
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Kommuninvest i Sverige AB (publ)
Landesbank Berlin AG
Landesbank Saar
Landeskreditbank Baden-Wuerttemberg - Foerderbank
Landwirtschaftliche Rentenbank
Laurentian Bank of Canada
Legal and General Investment Management (Holdings) Ltd.
LIM Advisors Limited
Lombard Odier Darier Hentsch & Cie
Louis Dreyfus Energy Services L.P.
M & G Investment Management Limited
M/S Bharat Petroleum Corporation Limited (BPCL)
Magnetar Capital LLC
Man Investments Ltd
Mandatum Life Insurance Company Limited
Massachusetts Mutual Life Insurance Company
MBIA Insurance Corp
McDonald's Corporation
MetLife
MFS Investment Management
Mirant Energy Trading LLC
Mitsubishi Corporation
Mitsui Sumitomo Insurance Company Limited
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MN Services N.V.
MOL Commodity Trading Ltd.
Moore Capital Management LLC
Munich Re Capital Markets GmbH
Municipality Finance Plc
National Bank of Poland
National Rural Utilities Cooperative Finance Corporation
National Swedish Pension Fund
Nationwide Building Society
Natixis Commodity Markets Limited
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Nederlandse Waterschapsbank N.V.
New South Wales Treasury Corporation
New York Power Authority
New Zealand Debt Management Office
Newshore Financial Services Inc.
Nexen Inc.
Nordic Investment Bank
Norges Bank
Northern Trust
Novartis International AG
NRW.BANK
OFI ASSET MANAGEMENT
OGE Energy Resources, Inc.
Ontario Financing Authority
Ontario Teachers' Pension Plan Board
Opet Trade (Singapore) Pte. Ltd
Øresundsbro Konsortiet
OZ Management, L.L.C.
Pacific Investment Management Company LLC
Pacific Life Insurance Company
Paloma Partners Management Company
Paulson & Co. Inc
Pershing Square Capital Management, L.P.
Peugeot SA
PGGM
Pioneer Investment Management Limited
Portland General Electric
Primus Asset Management, Inc.
ProLiance Energy LLC
ProShare Advisors LLC
Province of British Columbia
Prudential Global Funding LLC
PSEG Energy Resources & Trade LLC
P-Solve Investments Limited
Public Sector Pension Investment Board
Putnam Investments
Quadrant Structured Investment Advisers LLC (QSI)
Québec
Queensland Investment Corporation
Queensland Treasury Corporation
QVT Financial LP
Raiffeisen Switzerland Genossenschaft
Raiffeisenlandesbank Niederösterreich-Wien AG
Raiffeisenlandesbank Oberösterreich Aktiengesellschaft
Raiffeisen-Landesbank Steiermark AG
RBC Dexia Investor Services Limited
Reliance Industries Limited
Renault SAS
Republic of Finland

ISDA SUBSCRIBER MEMBERS

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S.A.C. Capital Advisors, L.P.
Sandelman Partners, L.P.
Sanofi-Aventis
Saxo Bank A/S
Schroders plc
ScottishPower Energy Management Limited
Shell Asset Management Company B.V. (SAMCo)
Shinkin Central Bank
Siemens Aktiengesellschaft
Sinopec (Hong Kong) Petroleum Company Limited
SNCB Holding
SNS Bank N.V.
Soros Fund Management LLC
South African Reserve Bank
Southwest Gas Corporation
Sparkasse KoelnBonn
Standard Life Investments Limited
Stark Investments
StatoilHydro ASA
Stevens Capital Management LP
Stichting Pensioenfonds ABP
Stone Tower Capital
Student Loan Marketing Association (Sallie Mae)
SUEK AG
Suez Energy Marketing NA, Inc.
Suez-Tractebel S.A.
Sumitomo Corporation
Sun Life Assurance Company of Canada
Susquehanna International Group, LLP.
Sveriges Riksbank
Swedish Housing Finance Corp.
Swiss National Bank
Swiss Re Financial Products
Taconic Capital Advisors L.P.
Telecom Italia SpA
Telkom SA Limited
Temasek Holdings (Private) Limited
Tenaska Power Services Co. (TPS)
Total Capital S.A.
Total Global Steel Limited
Toyota Financial Services
TPG-Axon Capital Management, LP
Trafigura Derivatives Limited
TransCanada Pipelines Limited
Transnet Limited
Treasury Corporation of Victoria
Tudor Investment Corporation
U.S. Bancorp
Union Bank of California, N.A.
University of Notre Dame
The Vanguard Group, Inc
Vattenfall A.B.
Vitol SA
Vodafone Group Services Ltd.
Volvo Treasury AB
Webster Bank
Wellington Management Company, LLP
Western Australian Treasury Corporation
Western Bulk Carriers KS
Westfield Holdings Limited
Weyerhaeuser Asset Management LLC
Whitebox Advisors, LLC
Yorkshire Building Society

TOTAL SUBSCRIBER MEMBERS: 332

TOTAL ISDA MEMBERS: 823

ISDA Conferences & Events 2009

2009 ISDA Regional Conference

"Credit Default Swaps: Facts and Fiction" - ISDA Symposium

Advanced Equity Derivatives Workshop

Buy - Side Equity Master Confirmation Agreement Workshop

Close-outs under the ISDA Master Agreement and the ISDA Credit Support Annex - ISDA Symposium

Collateral Commitments Symposium

Commodity Operations Symposium

Counterparty Credit Risk Seminar

Credit Derivative Market Practice Changes Symposium - Including a Session on the Small Bang

Credit Derivative Market Practice Changes, Industry Commitments and Collateral Initiatives

Credit Derivatives Auction Settlement after the Big Bang - ISDA Symposium

Credit Event Management under the New ISDA Credit Derivatives Documentation Symposium

Documenting and Confirming Credit Derivative Transactions Conference

Documenting and Confirming Equity Derivative Transactions Conference

Documenting Catastrophe Derivatives Transactions - ISDA US Wind Event Confirmation

Documenting Derivatives Transactions in Emissions Allowances - ISDA Symposium

Documenting Interest Rate and Currency Swaps - ISDA Symposium

Documenting Interest Rate and Currency Swaps Conference

Energy, Commodities and Developing Products Conference

Ethical Issues Confronting Lawyers in the Financial Services Industry Symposium

Extending FpML - An Advanced Training Course

FpML Training Course

Fundamentals of Commodity Derivatives

Fundamentals of Credit Derivatives Seminar

Fundamentals of Derivatives Seminar

Fundamentals of Equity Derivatives Seminar

How to Read ISDA Netting and Collateral Opinions - ISDA Symposium

How to Read ISDA Netting Opinions - ISDA Symposium

Impact of Market Events on Equity Derivatives including Transactions on Hedge Fund Underliers - ISDA Symposium

ISDA Operations Commitments, Solutions and Beyond - ISDA Symposium

ISDA Workshop on Close-Out and the Impact of Market Events - ISDA Symposium

Litigation in the OTC Derivatives Market - ISDA Symposium

Overview of ISDA Documentation and Operational Issues for the Buy-Side

Second Generation Credit Derivative Documentation Conference

The Latest in Credit Derivative Initiatives including Central Counterparty Proposals - ISDA Symposium

The New CDS Landscape - Auction Hardwiring and Market Practice Changes - ISDA Symposium

Understanding Collateral Arrangements and the ISDA Credit Support Documents Conference - Including Close-Outs under the ISDA Credit Support Annex

Understanding the ISDA Master Agreements Conference - Including Close-Outs under the ISDA Master Agreement

The above conferences were held variously in these cities during 2009:

Amsterdam	Frankfurt	New York	Sydney
Beijing	Hong Kong	Paris	Tokyo
Boston	Jakarta	San Francisco	Toronto
Charlotte	London	Singapore	Washington
Chicago	Mumbai	Stamford	

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