



International Swaps and Derivatives Association, Inc.

Electronic Novation Consent Note

7th July 2010

From: Rates Steering Committee

All MarkitWire Participants

As detailed in regular letters to the regulatory community there are several major initiatives within the interest rate derivatives market to reduce systemic risk and improve operational efficiency, particularly through the broader adoption of tools to increase the volume of transactions confirmed electronically on trade date.

In the interest rate derivatives market, certain dealer and buy-side firms made a commitment to the regulatory community to support a single step novation confirmation / novation consent process.

This commitment has been split into 3 phases as listed below:

1. A single step novation confirmation / novation consent process for electronically processed interest rate swaps (IRS) and swaptions where the initial trade was confirmed on MarkitWire¹.
2. Single step novation confirmation where the initial trade has been confirmed on DS Match.
3. Electronic Novation Consent Only.

Phase 1 came into effect on the 1st July, from which point the expectation was that all requests for consent be submitted via MarkitWire, where the current trade is confirmed on the platform and all parties involved in the transaction are live. This process was subject to a pilot phase from the 1st March to 29th March 2010 with a number of dealer and buy-side firms participating. Those firms deemed the pilot a success and as a result the single step process is now considered live.

As detailed in the MarkitSERV Client Communication dated 10th May 2010 (see attached), MarkitWire participants are required to submit all requests for consent from the 1st July 2010 on MarkitWire as part of the single step novation confirmation / novation consent process. As a result of this commitment we will no longer expect to receive e-mail requests for consent for those trades that fall into the scope outlined above.

As agreed on the Rates Electronic Novation Consent Working Group, the next steps are to actively onboard all remaining MarkitWire participants' novating IRS and swaptions to the single step novation confirmation / novation consent process. Novations need to be submitted on MarkitWire on novation trade date and all parties affirmed on T0.

MarkitWire participants' are no longer required to send e-mails requesting consent and should advise their MarkitWire Relationship Manager as to when they will be live on this process, in line with commitments to the regulatory community.

¹ Phase 1 limited to MarkitWire as the majority of volume deemed in-scope for this initiative is currently processed via MarkitWire.

Copy of email sent 10th May 2010

As detailed in regular letters to the Federal Reserve Bank of New York, there are several major initiatives within the Interest Rate Derivatives market to reduce systemic risk and improve operational efficiency, particularly through the broader adoption of tools to increase the volume of transactions confirmed electronically on trade date.

*For the Interest Rate Derivatives market specifically, the dealer and buy-side firms made a commitment to the Federal Reserve Bank of New York to support a single step novation confirmation/novation consent process for IRS and Swaptions where the original trade was confirmed on MarkitWire. **This commitment comes into effect from the 1st July 2010 when requests for consent submitted by e-mail will no longer be accepted.***

MarkitSERV are working with the rates community to help them meet this commitment.

The purpose of this letter is to inform you that as a MarkitWire participant there is now a requirement to submit all requests for consent from the 1st July 2010 on MarkitWire as part of the single step novation confirmation/novation consent process. Email consent will not be accepted after this date. This process was subject to a pilot phase from the 1st March to 29th March 2010 with a number of dealer and buy-side firms participating. Those firms deemed the pilot a success and as a result the single step process is now considered live.

The next phase is to onboard all remaining MarkitWire participants novating IRS and Swaptions to the single step novation confirmation/novation consent process before the 1st July 2010. MarkitWire are committed to ensuring the smooth transition from e-mail to electronic novation consent processing and as a result would offer any assistance that you believe is required to support your firm in adopting this new process.

Subsequent phases to increase electronic novation consent processing will include support for trades originally confirmed on DSMatch as well as a consent only mechanism for non-electronic trades.

The original Novation Consent Pilot document is attached explaining the new process for rates consent.

If you would like to stop sending email consent prior to July 1st please contact MarkitWire who will inform the rates community. If you have any questions please contact your MarkitSERV account manager.