

Equity: Standardization Matrix Definitions and Reporting Explanations

General Product Definitions

Base Product (A)

The primary product categories as used in the Equity Derivative Reporting Repository (EDRR)¹. These are Portfolio Swap, Equity Swap, Variance Swap, Dividend Swap, Equity Option (EDRR product name = Option), Accumulator (including Decumulator), Contract for Difference (CFD) and Other (everything else)² and for ease of reference are further defined in the attached appendix 1.

Sub-Product (B)

Sub-categorisation of the Base Product reflecting its underlying asset as an Index, Share or Basket. A Basket is defined as a transaction with more than one underlying component irrespective of how it may be booked in a firm's booking system, i.e. a booking system that captures a basket trade under a single booking and a booking system that captures a basket under multiple single underlier bookings should be treated in the same way – both are 1 transaction. For purposes of Portfolio Swaps this categorization will be recorded at the trade activity level as follows:

- i. where a firm records the individual movements on a daily basis each such movement will be counted as a trade for Monthly Volume and recorded under the relevant sub product category,
- ii. where affirm aggregates a given days movements into an aggregate booking such aggregate booking will count as a single trade and be recorded under the basket sub product category

Region (C)

The Matrix further categorises transactions into geographical region determined with regard to the location of the primary listing for the underlying component. This allows the matrix to reflect differences in regional processes and provide associated trading metrics. Regions are split as per how they are determined in the ISDA MCA's globally with EM defined as a jurisdiction (i) not specified by those MCA's **and** (ii) contained in the 2010 EMEA EM Interdealer Master Equity Derivatives Confirmation Agreement. "Global" refers to indices whose components span multiple ISDA MCA regions and "Multi" refers to Baskets whose components may or may not span multiple ISDA MCA regions.

¹ For avoidance of doubt this is the DTCC Notional Reporting Repository.

² Please see attached for product definitions

Industry Volume Metrics

Submissions are sourced directly from reporting firms internal records and divided into (i) G14 vs. G14 (labeled G14) and (ii) G14 vs. Non G14 (labeled Non G14). The G14 column will count transactions for each dealer that has submitted and therefore a single trade between two G14 firms will be reflected twice in the data. Gross notional values will be calculated using EDRR methodology (see appendix 1 attached) and converted to USD using the exchange rates from the EDRR³ as at 30th June). Submissions will include all trades that would be eligible for reporting to the EDRR.

Stock Portfolio (D)

A count of all current outstanding live transactions across G14 dealers⁴ for the relevant sub-product/region combination as of 30th June 2011. For Portfolio Swaps this represents the number of open Portfolio Swap Agreements. This will be reflected as a count of live transactions **(D)** and a gross notional of those transactions in USD **(D1)**.

Monthly Volume (E)

Sum of submissions of G14 dealer's monthly average economic trading volume⁵ for the 3 month period between April 2011 – June 2011. The submission reflects both trade count **(E)** and gross notional in USD **(E1)**. This volume includes all external execution of New Trades, Increases, Unwinds and Novations⁶ ("Trade Activity"). For Portfolio Swaps this includes all Trade Activity within each Portfolio Swap Agreement.

³ FX Rates supplied by EDRR for the purpose of conversion into USD. Appendix 2: FX Conversion Rates

⁴Data should be submitted for those entities that currently submit to the repository.

⁵ To determine average monthly volume submitting firms will provide their total trade count and notional for the 3 month period which will be divided by 3 prior to aggregating all firms submissions.

⁶ Corporate Actions are excluded

Standardisation Levels

General Note regarding Reported Values

All fields reported as a weighted average percentage are determined as follows:

Submitting firms will provide a best efforts approximation, to the nearest whole percentage point, of their volume of business that is processed according to the relevant category. This percentage will be applied to the submitting firms volume submission to determine a trade count for the category in question. The aggregate of individual firms trade counts will be expressed as a percentage of total industry volume in the relevant cell.

Execution Venue (F & G):

Voice (F)

Weighted average percentage of Monthly Volume that is executed by communication over phone, email or similar messaging platform (Bloomberg MSG, IM etc.)

Electronic (G1 & G2)

Weighted average percentage of Monthly Volume that is executed on a purpose built electronic execution platform. This can be on a dealers own in-house electronic execution venue offered to its clients (Single Dealer)(G1) or a third party communal venue such as those offered by interdealer execution brokers (Multi Party)(F2)

Single Dealer Electronic Platform (G1)

Platforms sponsored by a single market maker and available to one or more counterparties for trade execution. Transaction details are recorded by a system/platform sponsored/owned by one of the two parties to the trade and there is no third party involved in execution

Multiparty Electronic Platform (G2)

Multiparty platforms that contain multiple market-maker bids/offers that are classified as multilateral trading platforms (Inter Dealer Broker “click to trade” screens, Request-For-Quote platforms, etc.). In all cases, there is a third party that captures transaction details at the point of execution

Electronic Confirmation Available (H)

Yes/No value indicating whether a sub-product/region combination is Electronically Eligible as indicated in the Electronically Eligible Matrix⁷.

Electronic Confirmation (I)

Weighted average percentage of trades within each sub-product/region combination that are confirmed through electronic confirmation systems⁸.

⁷ The Electronically Eligible Matrix is published in the Equity derivatives section of the Bookstore on the ISDA website at www.isda.org/publications/isdaequityderivdefconfir.aspx

⁸ Includes non EE products (i.e. Portfolio Swaps) that are confirmed electronically

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ISDA Standard Short Form Confirmation (J1)

Weighted average percentage of trades within each sub-product/region combination that are confirmed using an ISDA published MCA but not processed through an electronic confirmation system.

Long Form Confirmation (J2)

Weighted average percentage of trades within each sub-product/region combination that are confirmed using a Long Form Confirmation.

Bilateral Short Form Confirmation (J3)

Weighted average percentage of trades within each sub-product/region combination that are confirmed using a non-ISDA published MCA, including both positively and negatively confirmed transactions.

Cashflow Matching Process (K)

Yes/No value indicating if the product is available for cashflow matching on the industry platform operated by DTCC .

Clearing Eligibility (L)

Yes/No value indicating whether a sub-product/region combination is available for clearing.

Appendix 1

EDRR Product Definitions		
<u>Base Product</u>	<u>Base Product Description</u>	<u>Notional Calculation</u>
Options	Vanilla Option - A contract that gives the buyer of the option the right to exercise it into the equity underlier (or its cash equivalent) under specified conditions.	current number of units * Strike Price * Multiplier
	Strategies - A combination of vanilla put and call options under one confirm that gives the buyer of the option the right to exercise it into the equity underlier (or its cash equivalent) under specified conditions.	It was agreed that Option Strategies are to be shown as individual lines with no netting. The notional calculation will be (current number of units * Strike Price * Multiplier) for each leg.
	Zero Strike Options. - A contract that gives the buyer of the option the right to exercise it into the equity underlier (or its cash equivalent) under specified conditions and where the Strike Price is Zero.	Current no of Units*initial premium * Multiplier
Equity Swaps	A swap agreement in which one party transfers the economic performance of a reference asset to the other party, which may include the exchange of the financing cost of this asset.	Current number of units x Last Reset price
Div Swaps	A transaction in which an investor exchanges an underlying stock or index's current dividend for increased upside (only) equity participation (General)	Current number of units x Fixed Strike Price
Variance Swap	A financial derivative instrument whose price is a function of the variance of the price of the underlier.	Vol Strike * current variance Unit * 2 = Vega Notional
Accumulator	A financial derivative product that may require the seller to sell shares of some underlying security at a predetermined strike price, settled periodically. This allows the investor to "accumulate" holdings in the underlying security over the term of the contract. (General)	Initial notional in local CCY calculated from the initial forward price.
PSA	Portfolio swaps involve a total return swap wrapper with a dynamic portfolio under which multiple swaps and multiple asset types can be traded	1) Calculate the notional as Number of Units x Last Equity (as at last reset) for each portfolio leg, 2) Net all transactions at underlying level to determine the net Long or short notional per point 1 for each underlier, 3) Report one absolute amount across all netted underliers in the settlement CCY of the portfolio.

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CFD	a contract between two parties, where the seller will pay to the buyer the difference between the current value of an asset and its value at contract time. (If the difference is negative, then the buyer pays instead to the seller.) (General)	current number of units x Last Reset price
Other	Any Equity product or deal that falls outside of the above categories.	If product can be identified as being closely aligned to an existing product then the notional should be calculated inline with that product (Barrier Option - Option). If not it should be governed by the following. 1) Take the notional from the financing leg where one exists, 2) otherwise Options calculation for option like products and swap calculation for swap like products, 3) For Trades that are based on the underliers of the index/basket vs its components (dispersion Trades/Correlation) then the notional can be taken from the base index/basket leg.

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Appendix 2: FX Conversion Rates

CCY	FX Rate	CCY	FX Rate	CCY	FX Rate	CCY	FX Rate	CCY	FX Rate
USD	1	COU	0.110959	JMD	0.01171	MYR	0.33107	THB	0.03255
AED	0.27224	CRC	0.00199	JOD	1.40845	MZN	0.03552	TJS	0.21421
AFN	0.02325	CUP	1	JPY	0.01241	NAD	0.14786	TMT	0.35081
ALL	0.01028	CVE	0.01304	KES	0.01119	NGN	0.00655	TND	0.73195
AMD	0.00271	CZK	0.05963	KGS	0.02208	NIO	0.04459	TOP	0.58119
ANG	0.55685	DJF	0.00564	KHR	0.00024	NOK	0.18544	TRY	0.61652
AOA	0.01071	DKK	0.19445	KMF	0.00294	NPR	0.01396	TTD	0.15625
ARS	0.24336	DOP	0.02626	KPW	0.00111	NZD	0.82867	TWD	0.03471
AUD	1.07209	DZD	0.01394	KRW	0.00093	OMR	2.59706	TZS	0.00061
AWG	0.5571	EGP	0.16751	KWD	3.64331	PAB	1	UAH	0.12523
AZN	1.27113	ERN	0.06622	KYD	1.21951	PEN	0.36363	UGX	0.00038
BAM	0.738	EUR	1.45043	KZT	0.00685	PHP	0.02306	UYU	0.0541
BBD	0.5	FJD	0.56705	LAK	0.00012	PKR	0.01161	UYU	0.05434
BDT	0.01344	FKP	1.60128	LBP	0.00066	PLN	0.36464	VEB	0.2299
BGN	0.73626	GBP	1.60475	LKR	0.00913	PYG	0.00024	VEF	0.23266
BHD	2.65216	GEL	0.60139	LRD	0.01369	QAR	0.2746	VND	0.00004
BIF	0.00081	GHS	0.66002	LSL	0.14785	RON	0.34264	VUV	0.01096
BMD	1	GIP	1.60128	LTL	0.42006	RSD	0.0144	WST	0.4474
BND	0.81366	GMD	0.03571	LVL	2.0454	RUB	0.03583	XAF	0.00221
BOB	0.14255	GNF	0.00014	LYD	0.82808	RWF	0.00167	XCD	0.37037
BRL	0.6402	GTQ	0.12861	MAD	0.12785	SAR	0.26664	XDR	1.60032
BSD	0.9995	GYD	0.00485	MDL	0.08603	SCR	0.08264	XOF	0.00221
BTN	0.02262	HKD	0.1285	MGA	0.00051	SDG	0.37362	XPF	0.01211
BWP	0.1529	HNL	0.05285	MKD	0.02375	SEK	0.15812	YER	0.00465
BYR	0.0002	HRK	0.19668	MMK	0.1536	SGD	0.814	ZAR	0.14786
BZD	0.5119	HTG	0.02447	MNT	0.00079	SHP	1.60128	ZMK	0.0002
CAD	1.03723	HUF	0.00545	MOP	0.12475	SLL	0.00022	ZWL	0.00263
CDF	0.00109	IDR	0.00011	MRO	0.00364	SOS	0.00062		
CHF	1.18948	ILS	0.29403	MUR	0.03527	SRD	0.3028		
CLF	46.86035	INR	0.02242	MVR	0.06518	STD	0.00005		
CLP	0.00213	IQD	0.00085	MWK	0.00659	SVC	0.11435		
CNY	0.15467	IRR	0.00009	MXN	0.08534	SYP	0.02107		
COP	0.00056	ISK	0.00873	MXV	0.388973		0.14787		

Equity Standardisation Definitions

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