



NEWS RELEASE
For Immediate Release

ISDA Statement on CDS Credit Event Process

NEW YORK, Monday, October 31, 2011 – The International Swaps and Derivatives Association, Inc. (ISDA) today issued the following statement in order to ensure an accurate understanding of how credit events are determined for credit default swaps contracts. Today’s statement is intended to underscore key points articulated in the [Greek Sovereign Debt Q&A](#), updated on October 31, which discussed this issue with regards to the Eurozone proposal for Greek debt. Some media accounts of the information contained in the Q&A inaccurately described the credit event process.

The determination of whether a credit event occurs under CDS documentation is made by the relevant ISDA Determinations Committee (DC), which consists of 10 sell-side and five buy-side firms. ISDA serves as secretary to, but does not sit on, the DC. A supermajority of votes (12 of 15 DC members) is required to find that a credit event has occurred without the decision being subject to external legal review. A weaker majority decision would be subject to external legal review that might overturn such a determination.

The DC’s review of a potential credit event comes after a proposal has been announced and its final terms are publicly available and only if a market participant requests the DC to take up the matter. Neither of these has yet occurred with regards to the Greek sovereign debt situation. No debt issued by the Hellenic Republic has been modified to date, nor have the formal terms for any such modification under the Eurozone proposal yet been released. No market participant has yet made such a request to the DC.

When the DC does review a situation to determine whether a credit event has occurred, it does so using publicly available information and according to the terms of the ISDA Credit Derivatives Definitions. The Definitions specify that for a credit event to occur, a restructuring must be binding on all holders of a particular bond or loan.

Based on what we know now, it appears from news reports that the Eurozone proposal involves a voluntary exchange that would not be binding on all holders. As such, it does not appear to be likely that the Eurozone proposal will trigger payments under existing CDS contracts. However, whether or not it does so will be decided by the DC on the basis of the specific facts, if a request is made to them.

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More information on the credit event process and the ISDA Determinations Committee is available in the [Greek Sovereign Debt Q&A](#) at on the ISDA website and on the Determinations Committee section of ISDA's website at <http://www2.isda.org/determinations-committees/>.

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About ISDA

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA is one of the world's largest global financial trade associations, with over 825 member institutions from 57 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

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