ISDA

ISDA Small Bang Protocol: Operational Best Practices call
Questions and Answers

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Questions and Answers:

1. <u>DTCC MQ Messaging:</u> how does the DTCC MQ messaging work? Is the messaging available on all versions of DTCC or just the most recent version?

A: MQ messaging is built into the DTCC Warehouse. In order for firms to take that messaging in, individual firms must be able to support the messaging schema. The messaging is available for all currently supported DTCC versions.

2. . <u>Paper Transactions:</u> is there a suggested best practice in regard to paper transactions? What should firms do for the spun-off single-name transaction?

A: For Untranched iTraxx Index transactions done on paper, you could potentially backload that transaction into the DTCC Warehouse using the new annex versions. However, Schedule 1 of the Small Bang Protocol appears to amend iTraxx Transactions to remove the Component Transaction such that an amended paper Confirmation would not be necessary. If your index trade is not subject to amendments in Schedule 1 to the Protocol (e.g. a Dow Jones Trac-X trade), the paper Confirmation and/or MCA would need to be amended. But in either case, you'll have to reconfirm the single-name transaction. Even if your original Index Transaction was done on paper, your spun-off single-name transaction should be done electronically.

3. <u>Event Determination Date:</u> what's the Event Determination Date (EDD) for Thomson?

A: If your transactions are subject to the DC determination, it is August 10, 2009 regardless of when the trade is triggered.

4. <u>Triggering Start Date:</u> what is considered the Triggering Start Date - is that when the list of Deliverable Obligations is published? When does the clock start ticking?

A: The "Exercise Cut-off Date" is defined in new Section 1.26 of the 2003 Credit Derivatives Definitions (inserted by the July Restructuring Supplement).For a Mod-R or Mod-Mod-R credit event where an auction may be held, the Exercise Cut-off Date is two Relevant City Business Days (for Seller) or five Relevant City Business Days (for Buyer) following the day the Final List of Deliverable Obligations is published.

5. <u>New Single Name Transactions</u>: can you confirm how these are expected to be handled from a Fed Metrics point of view?

A: This is still being discussed.

6. <u>DTCC System Testing</u>: how much UAT has DTCC put the system through for the Restructuring Credit Event process?

A: Because this is a tactical approach, DTCC has leveraged existing functionality which is tested and proven. The only new part is the Restructuring Reports which have been solidly tested. Additionally, DTCC has tested the full front to back process.

7: <u>Untranched Indices Reversioning</u>: for untranched historical indices are firms expected to reversion these? Are firms submitting amendments for these?

A: The first reversioning on the untranched Index transactions is due to take place in DTCC on Monday and processed via the auto-auto adherence functionality.

8: <u>CDS Delivery</u>: assuming there are a $10mm single-name trade and a $10mm Tranche trade. How much can a firm deliver for each of these transactions? Can the notional for the CDS single name trades and Tranche trades be combined?

A: For delivery into an auction, a firm can deliver up to the size of its Physical Settlement Request, which is limited to the firm's net "Market Position" for that auction. The "Market Position" is defined in the auction settlement terms and is the same under the Small Bang Protocol as for recent auctions, but note that that firms will need to calculate their Market Position separately for auctions for different maturity buckets.

9: <u>DTCC Triggering without Auction</u>: if the DC declares that there has been a Restructuring Credit Event, but decides that there will not be an Auction, will the triggering still occur through DTCC?

A: These transactions would be subject to the Fallback Settlement Method. There's no reason why DTCC couldn't support processing these via the Warehouse if firms would like to have this supported.

10: <u>Tranche re-versioning</u>: Is it possible to agree what the fields should be for Tranche re-versioning? Also, how soon will Markit make the new RED Codes available?

A: This is a good idea. ISDA will set forth some Tranche Best Practices in due course. Markit will make the RED codes available immediately after the DC has declared the various buckets.

11: <u>DTCC processing for Tranche Transactions:</u> why does the Tranche go from series 1, version 1a to Series 1, version 2a?

A: The processing in the Warehouse was never envisioned to process a one to many re-versioning. As mentioned, this is a very tactical approach. In the strategic approach, we'll be looking to address the one-to-one re-versioning limitation.

12: <u>Tranche Processing:</u> for Tranche Trades, what timeframe does a firm need to complete the re-booking and send to DTCC?

A: When the movement option expiry time is reached, between 5 and 7 days, which is normally two days prior to the cash settlement date.

13: <u>Index Options/Swaptions:</u> should firms be spinning off the single-names from Index Options? If you trigger the Swaption, how would you settle?

A: If you look at Part 21 of Schedule 1 of the Protocol, the buyer or seller has to trigger during the same exercise window as everyone else. Upon the exercise date and if the Swaption Buyer exercises, the single-name transaction gets spun-off. You would settle on the later of the Auction Settlement Date and T+3 after the exercise date.

14: <u>Matrix Confirmation:</u> for the single-name transaction that's been spun-off, do we confirm this under the Matrix?

A: If the trade date of your single-name transaction is prior to March 7, 2005, it wouldn't be confirmed under the Matrix but could be confirmed under a pre-existing MCA between the parties. The DTCC legal working group is looking to address this situation.