

NEWS RELEASE
For Immediate Release

ISDA Announces Key Steps in ISDAFIX Transition

The Association outlines move to automated rate-setting process

NEW YORK, January 27, 2014 – The International Swaps and Derivatives Association, Inc. (ISDA) announced the implementation date for the first stage in its two-phased process for moving to an automated, market-based ISDAFIX rate setting. These steps are a key development in the ongoing industry initiative to ensure alignment of ISDAFIX practices with evolving best practices in the setting of benchmark rates.

The first phase of the process includes a number of steps, expected to be implemented during the first quarter of 2014, to enhance the ISDAFIX polling process in response to the International Organization of Securities Commissions (IOSCO) Principles for Financial Benchmarks.

As part of these changes, ISDA will be standardizing the polling process across currencies. On January 27, 2014, Thomson Reuters, which has served as the collection agent for all non-US dollar ISDAFIX rates, will take on the USD process. Once Thomson Reuters has taken on the USD process, it will work with panel banks to change the polling window length across all main currencies to 10 minutes from the current range of five to 59 minutes.

In addition, ISDA is in the process of making a number of other improvements to the rate:

- ISDA has clarified the definition of ISDAFIX to emphasize that contributing banks should use executable bid/offer rates. The definition includes a table referencing typical contract sizes for each market in order to provide a reference point for all banks and ensure consistency.
- Work is under way to establish an ISDAFIX Code of Conduct and an ISDA Oversight Committee, which will address internal governance, systems and controls so as to maintain the highest standards and professional reputation for ISDAFIX and contributing banks and to comply with the IOSCO Principles for Financial Benchmarks.
- Currencies and tenors of ISDAFIX with insufficient liquidity in the underlying swap market will be identified and suspended or discontinued. ISDA has recently announced the suspension of EUR LIBOR and JPY ISDAFIX.

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- Stronger ex-ante and ex-post checks and analysis of bank submissions will be implemented both by the calculation agent and by the contributing banks in order to validate individual submissions.

“Our ongoing work to strengthen the process, governance and controls for the existing ISDAFIX framework is a key initiative for ISDA,” said Stephen O’Connor, ISDA Chairman. “Changes to the current polling methodology are an important step in this work and will improve the transparency of this important rate-setting process.”

Moving to an Automated MTF-Based Approach

The second stage in the process includes moving from the current bank submission-based method to an automated model that utilizes live prices from multilateral trading facilities (MTFs).

ISDA is currently reviewing the technical and operational requirements to capture live prices from MTFs. An initial analysis provides strong support for moving to an automated MTF-based submission approach for ISDAFIX. Historical data of MTF rates shows that the prices from MTFs are extremely close on average to the ISDAFIX rate. The results demonstrate an average difference of less than 0.02 basis points between the MTF approach and the ISDAFIX rates that were based on the submission approach for the period from January 2012 to June 2013.

The target for the transition to a MTF submission-based approach is the second quarter of this year for euro swaps, with the US dollar and sterling swaps following later in 2014 or early 2015.

The refinements to the rates calculation definition and the changes to the polling process were developed by the ISDA Benchmark Committee. The Committee was formed to develop strategy and policy recommendations for the ISDA Board regarding interest rate benchmarks with which ISDA is directly involved or which will have an impact on ISDA members, OTC derivative markets, or new and legacy OTC derivative transactions. ISDA arranged for the consulting firm Oliver Wyman to help the Committee strengthen the process, governance and controls for the existing ISDAFIX framework and develop the MTF-based approach.

In addition to ISDA’s work to improve the ISDAFIX process, the Association is also assisting with benchmark reforms on a broader level. ISDA is participating on the Financial Stability Board’s Market Participants Group (MPG), which is examining the adoption of additional reference rates and potential transition issues. ISDA Chairman Stephen O’Connor serves as Vice Chairman of the MPG.

Additional information regarding the ISDA Benchmark Committee is available in the [ISDA website’s Committees section](#).

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About ISDAFIX

ISDAFIX is the leading benchmark for annual swap rates for swap transactions worldwide. This screen service provides average mid-market swap rates for four major currencies at selected maturities on a daily basis. ISDAFIX rates are based on a midday and, additionally in some markets, end-of-day polling of mid-market rates. ISDA established ISDAFIX in 1998 in co-operation with Reuters (now Thomson Reuters) and Intercapital Brokers (now ICAP plc.). At present, ISDAFIX provides rates for euro (EUR), British pound (GBP), Swiss franc (CHF) and U.S. dollar (USD). In addition, ISDAFIX provides USD swap spreads. Additional information regarding ISDAFIX is available in the [ISDA website's Asset Classes section under Interest Rates Derivatives](#).

About ISDA

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 62 countries. These members include a broad range of OTC derivatives market participants including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure including exchanges, clearinghouses and repositories, as well as law firms, accounting firms 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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