



NEWS RELEASE
For Immediate Release

ISDA Publishes Best Practices for OTC Commodity Derivatives Trade Processing

NEW YORK, April 25, 2012 – The International Swaps and Derivatives Association, Inc. (ISDA) today announced the publication of a whitepaper, “*OTC Commodity Derivatives Trade Processing Lifecycle Events*.”

The paper analyzes existing and potential opportunities for further standardization in the OTC commodity derivatives markets in order to drive improvements in operational efficiency, reduce operational risk, and increase netting and clearing for appropriate products. It also provides a summary of OTC commodity derivatives markets’ trade processing lifecycle events and an overview of the current industry state of processing.

“OTC commodity derivatives have been in existence for centuries, far longer than some of the other OTC derivative asset classes,” said Julian Day, Head of Market Infrastructure, ISDA. “The vast majority of OTC commodity derivatives products have become standardized over time and additional standardization has occurred with a specific focus on electronic confirmation, lifecycle event processing and clearing. The whitepaper further clarifies and increases transparency of the operational best practices for OTC commodity derivatives.”

OTC commodity derivatives are transparent (pre and post-trade), with a significant proportion of transactions centrally cleared, electronically confirmed and bilaterally collateralized. Across the OTC commodity derivatives markets, the vast majority of all contracts are confirmed electronically via confirmation matching platforms. To date, more than 85 percent of eligible inter-Commodities Major Dealers (CMD) metals trades and 90 percent of energy trades are actually confirmed electronically. There is no material backlog of unexecuted confirmations.

The paper outlines three areas for potential improvement:

- Lifecycle processes;
- OTC settlement processes; and
- Settlement matching processes

The whitepaper is available in the ISDA website’s Research section under Studies: <http://www2.isda.org/functional-areas/research/studies>

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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 815 member institutions from 58 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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