



NEWS RELEASE  
For Immediate Release

**Correction: ISDA Updates OTC Derivatives Market Analysis:  
Despite Increase in Notionals, Over 50% of IRS Market Is Cleared**

**NEW YORK, December 22, 2011** – In the following news release from December 21, the percent of cleared CDS in the first half of 2011 was mistakenly presented as nearly 13 percent. The correct figure is 9.5 percent. A complete, corrected release follows.

**NEW YORK, December 21, 2011** – The International Swaps and Derivatives Association, Inc. (ISDA) published today its analysis of the over-the-counter (OTC) derivatives market based on June 30, 2011 statistics.

According to the ISDA analysis, the notional amount of OTC derivatives outstanding (adjusted to exclude FX transactions and for the impact of clearing) increased 18 percent from \$416.7 trillion at year-end 2010 to \$491.3 trillion at June 30, 2011. This increase in notional outstanding reverses declines in 2008, 2009 and 2010. From year-end 2007 through year-end 2010, the OTC derivatives markets decreased in size by approximately 12 percent when measured on this adjusted basis.

With the large increase in interest rate swaps (IRS) notional outstanding during the first half of 2011, the level of uncleared IRS rose by \$28.2 trillion to \$143.9 trillion, the first increase in this figure since before 2007. Cleared IRS increased to \$297.8 trillion and still represent over half (50.8 percent) of all IRS. With regards to credit default swaps (CDS), the analysis shows progress in clearing, with 9.5 percent of the adjusted CDS market cleared in the first half of 2011, up from 7.9 percent at year-end 2010.

The analysis indicates that while notionals rose in the first half, Gross Market Values and Gross Credit Exposures\* declined during this time period. Gross Credit Exposure after netting and collateral, and adjusted as per above, measured 0.1 percent of notional outstanding at June 30, 2011, compared to 0.2 percent at December 31, 2010.

“The significant increase in notional amount of OTC derivatives outstanding demonstrates the high demand for these important risk management tools,” said Conrad Voldstad, ISDA Chief Executive Officer. “ISDA and the industry welcome the great strides that have taken place in central clearing and portfolio compression to make the OTC derivatives markets safer and more efficient for all participants.

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“Further progress is on the way, as clearinghouses determine ways to broaden the range of OTC derivatives products that can be cleared,” said Mr Voldstad. “LCH Swapclear has begun to clear forward rate agreements – a large product area with \$56 trillion in notional outstanding – as well as amortizing IRS. Clearinghouses are also targeting the clearing needs of the buy-side community.”

ISDA and the industry are also making significant progress in reducing counterparty credit risk through portfolio compression (also called tear-ups), which reduces notional outstanding and eliminates existing trades. Compression reached \$130.1 trillion as of June 30, 2011, including \$22.1 trillion in the first half of 2011 alone. After adjustments for double-counting cleared IRS, total IRS compression cycles amount to \$100.5 trillion. TriOptima and LCH have also indicated strong levels of IRS compression in the second half of 2011. For CDS, compression by TriOptima exceeds \$71.4 trillion, including \$3.2 trillion in the first half of 2011. Compression of CDS from other vendors is approximately \$7.4 trillion as of June 2011 with compression in the first half amounting to \$0.5 trillion.

In addition, the analysis shows the risk mitigation benefits of netting and collateral. In the first half of 2011, Gross Market Value declined from \$21 trillion to \$19.5 trillion while Gross Credit Exposure declined from \$3.5 trillion to \$3 trillion. At June 30, 2011, netting reduced Gross Market Value by some 85 percent, a 1 percent increase from year-end 2010.

Collateralization further reduces credit exposure. According to ISDA’s 2011 Margin Survey, 70 percent of all OTC derivative trades were subject to collateral agreements. This included 96 percent of CDS with large dealers.

Expressed as a percentage of notional, the Gross Market Value was approximately 2.8 percent of notional at June 30, 2011, compared to 3.5 percent at year-end 2010. Gross Credit Exposure after netting was 0.4 percent of notional, compared to 0.6 percent at year-end 2010. Gross Credit Exposure after netting and collateral was 0.1 percent of notional, compared to 0.2 percent at year-end 2010.

The full ISDA OTC Derivatives Market Analysis is available on [ISDA's website](#).

\*Gross Market Value represents an estimate of the total positive market value of contracts held by reporting dealers plus the absolute value of contracts with negative market value with non-reporting counterparties. Gross Credit Exposure applies the benefits of netting to Gross Market Value.

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### **About the ISDA OTC Derivatives Market Analysis**

ISDA's Market Analysis is based on information published every six months by the Bank for International Settlements (BIS), as well as information from LCH.Clearnet's SwapClear (LCH) and TriOptima. ISDA supplements these sources with information on the collateralization of exposures.

ISDA's reporting aims to integrate market data to show the impact of clearing, netting and collateral on notional amounts and risk exposures in the over-the-counter derivatives (OTC) markets. ISDA publishes the Market Analysis at regular six-month intervals building on the work presented in the BIS semiannual OTC derivatives market statistics.

### **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 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](http://www.isda.org).

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