



ABOUT



GLOBAL



RISK



STRUCTURE



TRANSPARENCY

ABOUT ISDA

## MISSION AND STRATEGY

ISDA fosters safe and efficient derivatives markets to facilitate effective risk management for all users of derivative products.



ABOUT ISDA

## MISSION AND STRATEGY



**ISDA** achieves its mission by representing all market participants globally, promoting high standards of commercial conduct and leading industry action on derivatives issues. This includes being:



The Source for  
Robust and Trusted  
Documentation

The Architect of a  
Secure and Efficient  
Infrastructure

An Advocate for Effective  
Risk Management  
and Clearing

The Voice for the  
Global Derivatives  
Marketplace



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ABOUT ISDA

800+ MEMBERS IN 58 COUNTRIES

**PRIMARY**

**MEMBERS: 25%**

Dealers



**ASSOCIATE**

**MEMBERS: 35%**

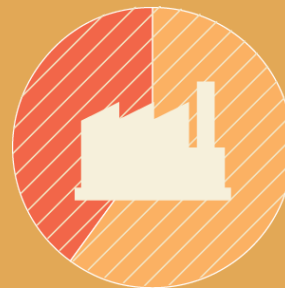
Service Providers



**SUBSCRIBER**

**MEMBERS: 40%**

End-Users





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## OTC DERIVATIVES

# A GLOBAL, GROWING MARKETPLACE

### KEY TRADING CENTERS

OTC interest rate derivatives are traded in some 30 countries, with London being the largest trading center. Significant trading volumes also occur in the US, Continental Europe (France alone accounts for 7% of global volume) and Asia.

46.5%

United Kingdom



24.2%

United States



18.6%

Continental Europe



7.7%

Asia (including Japan)





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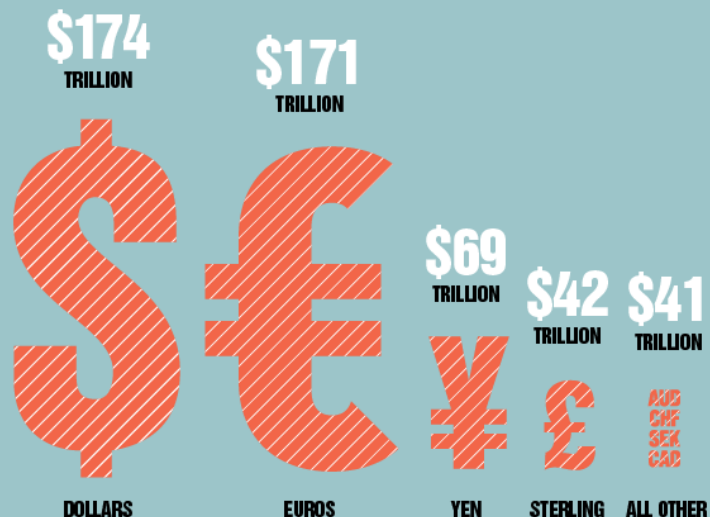
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## OTC DERIVATIVES

# A GLOBAL, GROWING MARKETPLACE

## TOP CURRENCIES

Most interest rate derivatives are denominated in either US dollars or euros. The yen and sterling also account for relatively sizeable amounts.







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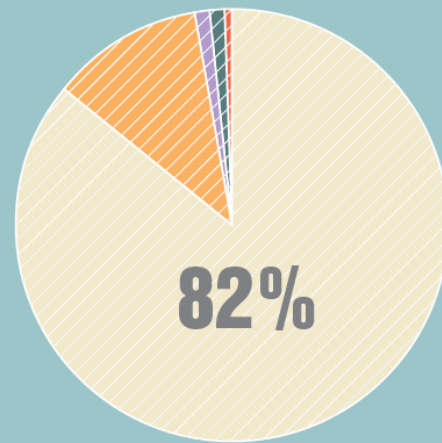
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## OTC DERIVATIVES

# A GLOBAL, GROWING MARKETPLACE

### NOTIONAL OUTSTANDING

The need for effective risk management by thousands of corporations, asset managers and financial institutions continues to drive the growth of the OTC derivatives markets. Some 82% of the notional outstanding consists of interest rate derivatives.



Interest Rate

Foreign Exchange

Credit Default Swaps

Equity Linked

Commodity



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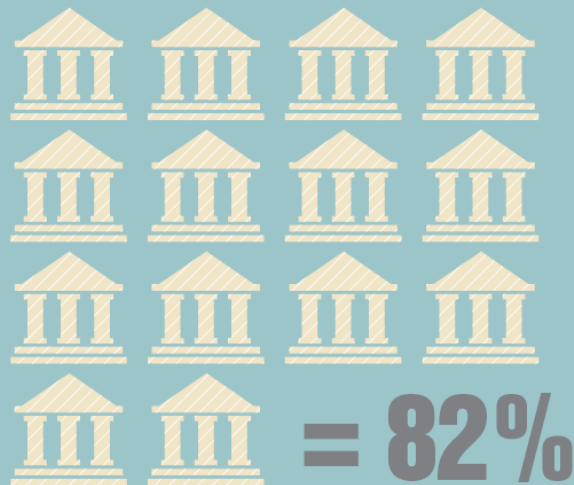
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## OTC DERIVATIVES

# A GLOBAL, GROWING MARKETPLACE

### A COMPETITIVE MARKET

With the 14 largest banks accounting for about 82% of global interest rate derivatives activity, no single bank or banks dominate the market. This underscores the widespread competition that exists and that ultimately benefits end-users.





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OUR KEY FOCUS

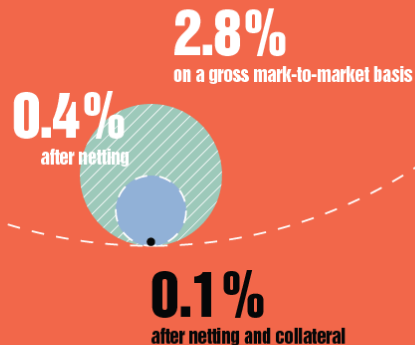
# COUNTERPARTY RISK REDUCTION

## UNDERSTANDING DERIVATIVES RISK

While notional amounts measure volumes outstanding, mark-to-market values more effectively measure risk.

Netting and collateral significantly reduce this risk. As a percentage of notional, derivatives credit exposure is:

- 2.8% on a gross mark-to-market basis
- 0.4% after netting
- 0.1% after netting and collateral







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OUR KEY FOCUS

## COUNTERPARTY RISK REDUCTION

### PORTFOLIO COMPRESSION

Portfolio compression (also called trade tear-ups) has reduced notional outstanding by more than \$250 trillion. It's another important way market participants are working to reduce OTC derivatives risk.

**\$250,000,000,000.000**



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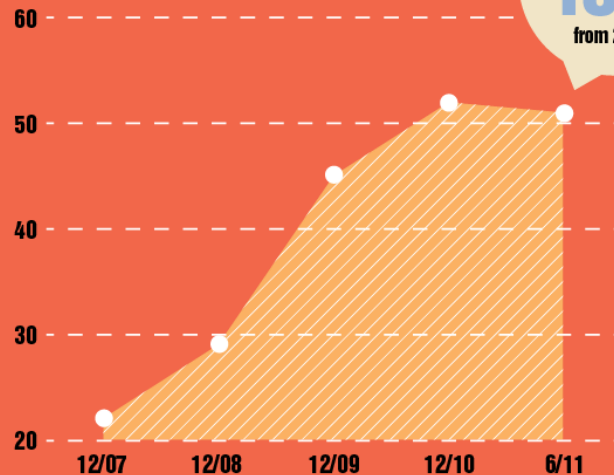
## OUR KEY FOCUS

# COUNTERPARTY RISK REDUCTION

### VOLUMES OF CLEARED TRANSACTIONS

Central clearing can help reduce counterparty risk. About 50% of the IRS market is currently cleared, up substantially in just a few short years. Further progress is on the way, as more counterparties clear and more types of trades are eligible for clearing.

% of IRS notional cleared





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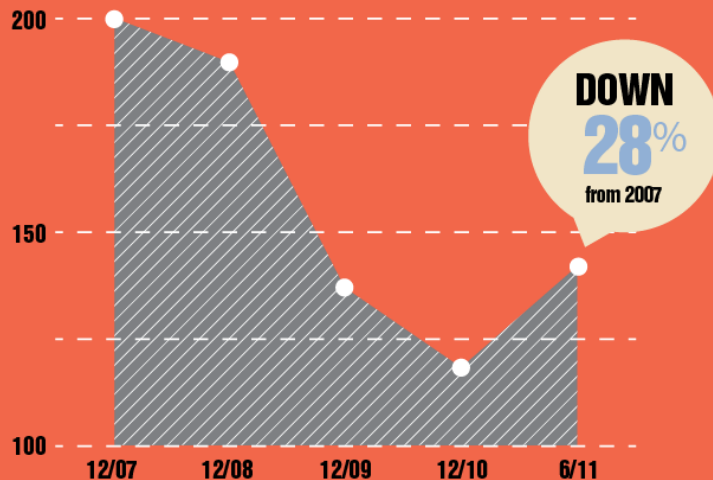
## COUNTERPARTY RISK REDUCTION

### UNCLEARED VOLUMES

Just as important as the volume of cleared transactions is the volume of uncleared trades.

According to the latest available statistics, uncleared interest rate derivatives declined by 28% from year-end 2007.

Uncleared notional IRS, \$ trillion







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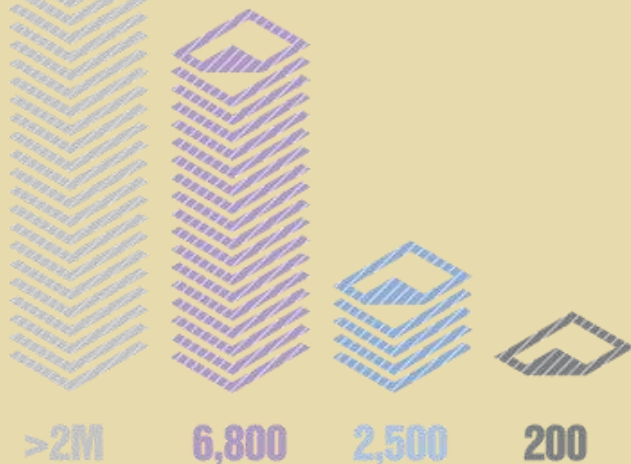
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## UNIQUE MARKET STRUCTURE

# FEWER THAN 20,000 TRADES PER DAY



### IRS MARKET DATA

The average daily trading volume for interest rate derivatives (including swaps, caps, collars, floors and swaptions) is **6,800**.

Of these, **2,500** represent new economic activity and are price-forming.

The most popular IRS, the USD 10-year, trades about **200** contracts per day.

By contrast, about **2,000,000** Eurodollar futures contracts are traded at The CME Group every day.



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## UNIQUE MARKET STRUCTURE

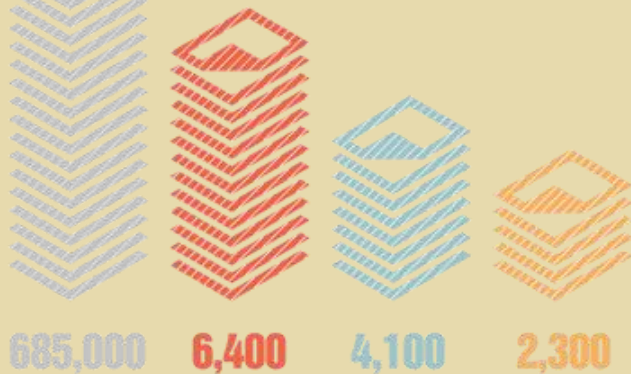
# FEWER THAN 20,000 TRADES PER DAY

### CDS MARKET DATA

The average daily trading volume for CDS is **6,400**.

Of these, **4,100** are single-name CDS contracts and **2,300** are CDS index trades. Of the 2,300 CDS index trades, 5 indices account for 60%.

Compare this to the equity markets: The average daily number of trades executed on the London Stock Exchange's UK Equities Order Book is **685,000**.







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## A CORE COMMITMENT TRANSPARENCY

2,400,000

**90%** of these contracts  
are single name contracts.

**10%** of these contracts  
are credit index or  
tranche transaction.

There are 2.4 million contracts in the DTCC trade repository. Regulators have access to this data to monitor aggregate and individual CDS exposures and transaction activity. Information is also available to the public via the web.



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