ABOUT ISDA

MISSION AND STRATEGY

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

800+ MEMBERS IN 58 COUNTRIES

PRIMARY MEMBERS: 25%
Dealers

ASSOCIATE MEMBERS: 35%
Service Providers

SUBSCRIBER MEMBERS: 40%
End-Users
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.

- United Kingdom: 46.5%
- United States: 24.2%
- Continental Europe: 18.6%
- Asia (including Japan): 7.7%
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.
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.
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.

= 82%
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
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.
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.
OUR KEY FOCUS
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.
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.
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.
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.
ISDA fosters **safe and efficient** derivatives markets to facilitate effective risk management for all users of derivative products.