

June 2, 2009

This document summarizes the commitments to further strengthen the operational infrastructure for OTC derivatives being made by market participants to the Fed as of June 2, 2009. This document has been prepared by the same dealer and buy-side signatories indicated on the June 2, 2009 letter to the Federal Reserve Bank of New York.

Utilizing their collective effort to enhance the OTC derivatives environment, the derivative market place continues to take steps to improve the OTC processing environment, significantly reducing systemic risk and increasing transparency.

The derivatives industry continues to expand its operational performance targets in the OTC Credit, Equity and Interest Rate Derivative asset classes as well as further enhancing collateral management practices across the spectrum of derivatives. The primary goals of improving derivative market processing and scalability as well as augmenting risk mitigation and transparency remain at the core of industry developments.

The high-level goals across the OTC Derivative Markets that form the core of the industry's strategic vision are re-iterated below.

1. Implementing data repositories for non-cleared transactions in these markets to ensure appropriate transparency and disclosure, and to assist global supervisors with oversight and surveillance activities.
2. Clearing for OTC standardized derivative products in these markets.
3. Enabling customer access to clearing through either direct access as a clearing member or via indirect access, including the benefits of initial margin segregation and position portability.
4. Delivering robust collateral and margining processes, including portfolio reconciliations, metrics on position and market value breaks, and improved dispute resolution mechanics.
5. Updating industry governance to be more inclusive of buy-side participants.
6. Continuing to drive improvement in industry infrastructure as well as to engage and partner with supervisors, globally, to expand upon the substantial improvements that have developed since 2005.

The commitments below articulate a strategic roadmap for each asset class as well as collateral management, presenting milestones as they relate to the above goals where applicable.

Though many unique challenges face the Credit, Equity, Interest Rate, Commodities and Foreign Exchange/Currency derivative asset classes because of appreciable differences in market maturity, volumes, support models, users and best practices, there are shared objectives across the suite of products. While Commodities and Foreign Exchange/Currency derivatives are not included in this version of the letter, their prior commitments are summarized as part of the tables below. The tables on the following pages summarize both new and continuing commitments.

Credit Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
Prior Commitments	June 2009 Letter	Explanation
85% T+0 trade submission for all trade types, including novations by 30 June 2009.	<p>Commitment Continues.</p> <p>By December 31, 2009 the OMG commits to 90% T+0 submission for all electronically eligible transactions.</p> <p>By September 30, 2009, the OMG commits that all electronically eligible new trades and novations where one or more parties to the transaction are OMG members must be confirmed on DTCC or another electronic platform.</p>	<p>The targets for timely and accurate trade submission of electronically eligible trades to electronic confirmation platforms remain. These two metrics are key drivers to achieving trade date confirmation and to ensure timely settlement of cash flows.</p> <p>All targets will be revisited quarterly with Supervisors to assess the success of participants and to make incremental yet significant changes to the targets.</p>
94% confirmation without modification for all trade types, including novations by 30 June 2009.	Commitment Continues	
95% T+5 trade confirmation, excluding novations by 31 December 2008. Plus, monthly reporting of T+0 trade confirmation performance.	<p>By December 31, 2009, the OMG commits to T+0 matching for clearing eligible transactions and 94% T+2 matching for all electronically eligible transactions.</p>	
Market participants to send correct trade allocations on T+0.	The OMG commits to supply accurate allocation details on trade date via submission to an electronic affirmation or confirmation platform.	This practice assures that both dealers and buy-side firms credit trades to the appropriate legal entities in a timely manner. T+0 matching is dependent on buy-side participants submitting accurate allocation details on trade date.
Market participants to be capable of submitting and accepting electronically eligible trades within 60 days of availability on an electronic confirmation platform.	Commitment Continues	This commitment expedites participants' support for new products shortly after they are added on electronic confirmation platforms.
Major Dealers to continue to quickly onboard new clients onto electronic platforms.	Commitment Continues	This effort will ensure that automation will apply to all client trades.
RED code usage continues, with the standard identifiers required for 100% of Major Dealer index trades and 90% of single names.	Commitment Continues	Universal use of standardized reference data improves the ability of counterparties to match trade details in an automated manner and is an important component to meeting submission accuracy and confirmation commitments.

Confirmation Backlog Reduction		
Prior Commitments	June 2009 Letter	Explanation
Unconfirmed aged confirmations cannot exceed 1 business day of trading volume.	Commitment Continues. OMG dealers will continue to submit as part of their monthly reporting to supervisors (i) the number of electronically eligible trades outstanding over 30 days ¹ and (ii) the number of non-electronically eligible trades outstanding over 30 days.	This target for efficient processing of unconfirmed confirmations aged more than 30 calendar days is considered a steady-state goal. For comparison, when this collective effort began in 2005, aged confirmations exceeded 17 business days of trading volume.
Lock-ins to review outstanding inter-dealer trades continue as committed in 2005.	Commitment Continues	Lock-ins are now part of the regular course of business.

Risk Mitigation of Non-Electronic Transactions		
Prior Commitments	June 2009 Letter	Explanation
The credit derivatives industry continues its goal to positively affirm the economic details of unconfirmed paper trades by T+3 and unconfirmed electronically eligible trades by T+5.	Commitment Continues	Positive affirmation of trade economics is a key risk mitigation technique for OTC derivatives because it assures that each counterparty's risk management systems accurately reflect the economic details of trades that have not yet been confirmed.

Life Cycle Event Processing		
Prior Commitments	June 2009 Letter	Explanation
After 31 December 2008, the names of Buy-Side institutions continuing to request novations by email will be provided to each Dealer's primary regulator. After 28 February 2009, Major Dealers will only accept novation consents on eligible products submitted on electronic platforms and will not accept email. Major Dealer will continue to support currently available electronic platforms and will work with major market participants to develop a scalable and controlled process.	Commitment Continues. By June 30, 2009, the OMG in conjunction with IBOC, the Credit Steering Committee and OTC derivative legal community commits to a plan and implementation schedule to change the novation process such that the action of consent will achieve a valid legal confirmation.	The current novation process limits efficient and timely trade processing. This process will be improved as market participants move to an interoperable electronic model.
An auction-based settlement mechanism will be incorporated into standard credit derivatives trade documentation by 31 December 2008.	Commitment Completed	Incorporating the auction-based settlement mechanism into standard documentation increases certainty following credit events by ensuring full participation and a transparent and orderly settlement process.

¹ The business as usual target for electronically eligible trades is zero outstanding over 30 days.

Major Dealers commit to universal use of the DTCC Trade Information Warehouse (TIW) for all eligible products and commit to a backloading program such that by 30 November 2009, all counterparties should have completed backloading their legacy portfolios into TIW.	By July 17, 2009, the OMG commits to report all credit derivative trade records to a trade repository. ²	Use of the DTCC Trade Information Warehouse (TIW) for all eligible products will ensure life cycle processing scale and resilience. While new eligible trades are automatically registered in the TIW, backloading is necessary for outstanding eligible trades. Major life cycle events that are planned to be automatically processed through TIW include clearing, compression, credit events, successor events, corporate actions, maturities, expiries, exercises and bulk events such as mass terminations and novations
Commitment to process major life cycle events in the TIW for all electronically eligible confirmable trades as this functionality is developed within TIW and the DTCC operating procedures are updated.	Commitment Continues	

Trade Compression		
Prior Commitments	June 2009 Letter	Explanation
Major Dealers commit to continue aggressive compression of inter-dealer portfolios and have begun compression cycles of 15-20 Reference Entities per week in each of the US and Europe, and monthly cycles of index trade compressions. The results of these processes will be shared with the Supervisors.	Commitment Continues	Reducing the number of outstanding credit derivative trades will reduce aggregate notional amounts outstanding, reduce counterparty credit exposures and make a dealer's book of trades easier to manage.

Central Settlement		
Prior Commitments	June 2009 Letter	Explanation
Commitment that all Major Dealers in the Operations Management Group (OMG) will be fully live for central settlement by 28 February 2009.	Commitment Completed	Centralised settlement of quarterly credit derivative payments reduces settlement breaks where payments are not made to the right party on the due date and must be manually resolved by counterparties. Settlement efficiency for credit derivatives will be significantly improved by increasing the scope of products eligible for central settlement across the DTCC Trade Information Warehouse (TIW) and CLS Bank infrastructure, and by increasing the volume of market participation on the platform.
Commitment that all Buy Side institutions in the OMG will be fully live for central settlement by 31 May 2009.	Commitment Continues; market participants will work with supervisors to establish a new target date.	
Commitment that by 31 August 2009, 90% of settlement volume on electronically confirmed transactions across market	Commitment Continues	

² These trade record registrations will be updated weekly.

participants will be settled via the Trade Information Warehouse (TIW) and CLS Bank infrastructure.		
Commitment that by 30 November 2009, 96% of settlement volume on electronically confirmed transactions across market participants will be settled via TIW and CLS.	Commitment Continues	
Commitment to develop a plan by 30 November 2008 to implement the settlement of CDS on ABS transactions in 2009.	Commitment Completed	
Central settlement submission and confirmation timelines in place and most Major Dealers to be live with each other for central settlement by September 2008.	Commitment Completed	

Central Counterparty Clearing		
Prior Commitments	June 2009 Letter	Explanation
Major Dealers commit to central clearing in the index, single name and index tranche products. Each Major Dealer will (i) support a clearing platform and (ii) utilize such platform to clear all eligible products where practicable. Pending regulatory approval, index clearing will begin by 30 November 2008 with single names to follow within the first quarter of 2009.	Commitment Continues	Central counterparty clearing arrangements with robust risk management regimes help reduce systemic risk associated with counterparty credit exposures and improve the ability of market participants to address the failure of a major participant.
No Commitment	The OMG, in conjunction with IBOC, commit to buy-side access to CDS clearing ³ with customer initial margin segregation and portability of customer transactions by December 15, 2009. Legal and regulatory analysis to achieve buy-side access will be completed by June 30, 2009.	

³ through either direct CCP membership or customer clearing.

Equity Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
Prior Commitments	June 2009 Letter	Explanation
By 31 October 2008, commitment to publish quarterly volume metrics by product for non-electronically eligible transactions.	Commitment Completed	Greater volume transparency of products not yet eligible for electronic processing will support the identification and prioritization of candidates for electronic processing.
ISDA commit to publish the results of a study to simplify the current legal framework for equity derivatives by 1 February 2009.	Commitment Completed	The current legal framework for equity derivatives relies largely on bilateral Master Confirmation Agreement (MCA) negotiation, with a different MCA being negotiated for each region in which a product is traded. Moving to multi-region MCAs and a matrix documentation structure for particular product types would support the market moving toward increased electronic processing.
By 30 June 2009, commitment to work with ISDA to publish Master Confirmation Agreements (MCAs) for three additional products: (i) emerging market options (EMEA and AEJ), (ii) basket options (index and share) and (iii) one additional product to be determined and prioritised by 30 November 2008.	Commitment Continues	OTC derivatives contracts require substantial legal documentation, standardized by such industry groups as ISDA. Document standardization is necessary to enable these products to become electronically eligible. Analysis has shown that products making up an average of at least 2% of non-electronically eligible volume are suitable candidates for standardization and electronic processing.
Post 30 June 2009, commitment to work with ISDA to publish a Master Confirmation Agreement (MCA) where a product is identified as making up an average of 2% or more of Major Dealers' non-electronically eligible volume over a six month period.	Commitment Continues. The OMG, ISDA, and Equity Steering Committee will determine appropriateness for standardization based on the following: (i) consideration of products identified as making up an average of 2% or more of OMG reporting Dealers' non-electronically eligible volume ⁴ and (ii) determination of whether a product has reasonable likelihood of continued volumes going forward as identified by the ESC.	
60% of Major Dealers volume to be electronically eligible by 31 December 2009.	Commitment Continues. The OMG commits to an industry target of 50% of total volume able to be matched on an electronic platform by December 31, 2009. Additionally, the OMG commits to an industry target of 40% of total volume that is defined as electronically eligible by December 31, 2009.	This target is reflective of the relatively higher proportion of bespoke, structured products which will not be eligible for electronification.
By 31 March 2009, Major Dealers commit to supporting electronically eligible products on an electronic confirmation	Commitment Continues. By January 31, 2010, the OMG Dealers commit to set a target for electronically eligible OTC equity derivative transactions,	This commitment expedites participants' support for new products shortly after they are added on electronic confirmation platforms.

⁴ electronically eligible volume is over the previous six month period

<p>platform within 90 days of the product becoming electronically eligible. This target excludes Equity Swaps which will be subject to separate targets and reporting.</p>	<p>including interdealer discrete Total Return Swaps (TRS)⁵. Electronically eligible volume will increase to include the following products: (i) Inter-dealer TRS with U.S. and European underliers (share and index) from October 1, 2009, (ii) Inter-dealer TRS with Asia ex-Japan (Open and Closed markets) underliers (share and index) from December 1, 2009, and (iii) U.S. Client OTC Options from December 31, 2009. The OMG dealers agree to use, in a form substantially similar to the published version, these MCAs, and future ISDA-published MCAs, for new and existing clients where no executed MCA currently exists.</p>	
<p>95% T+1 trade submission and T+5 confirmation of electronically eligible confirmable events by 31 March 2009 with reporting of monthly performance metrics from 30 November 2008. Further targets will be set in March 2009 to track progress towards the strategic goal of T+0 confirmation.</p>	<p>By September 30, 2009, the OMG commits to match 95% of electronically eligible transactions between OMG members by T+4.</p>	
<p>No Commitment</p>	<p>The OMG dealers will set a separate target for matching of dealer to client TRS products not currently covered under ISDA-published MCAs which will include (i) Dealer to Client TRS with U.S. underliers covered by bespoke dealer MCAs from October 1, 2009 and(ii) Dealer to Client TRS with European underliers covered by bespoke dealer MCAs from December 1, 2009.</p>	<p>New targets for timely trade submission and confirmation of electronically eligible trades have been introduced to provide greater transparency of performance towards the strategic goal of trade date confirmation.</p>
<p>Agreement of a confirmation strategy for financing and swap business by 30 November 2008.</p>	<p>Commitment Completed. Additionally, the OMG reaffirms its commitment stated in the December 10, 2008 EFS Roadmap, that by December 31, 2009: (i) the OMG dealers commit to electronically matching 80% of electronically eligible events of the interdealer Discrete TRS product. An interim target is set at 65% by October 31, 2009, and (ii) the OMG commits to electronically matching 50% of electronically eligible events of the dealer to</p>	<p>Financing and equity swap products make up the highest proportion of the market's non-electronically eligible volume and present a greater challenge for standardization and automation.</p>

⁵ The blended electronic confirmation target will replace the current electronic matching targets.

	client Discrete TRS product. An interim target is set at 25% by October 31, 2009.	
80% of electronically eligible events with all counterparties to be electronically confirmed by 31 March 2009.	Commitment Continues	The target for electronic confirmation of electronically eligible events includes a series of incremental steps towards a medium-term goal of 85%. The timeframe takes into account the large number of clients who trade only a small number of deals and make up a material portion of the Major Dealers' volumes.
85% of electronically eligible events with all counterparties to be electronically confirmed by 30 September 2009.	Commitment Continues	
Market participants trading an average of four or more electronically eligible confirmable events per month over a three month period will be encouraged to follow best practice of supporting eligible products on an electronic confirmation platform within 90 days. This target excludes Equity Swaps which will be subject to separate targets and reporting. Starting 31 March 2009, Major Dealers will begin monthly reporting of client onboarding progress to the Supervisors, including the names of Dealers and Buy-Side participants who are trading more than four electronically eligible events per month but have yet to onboard onto an electronic confirmation platform.	Commitment Continues	This commitment expedites participant's implementation of electronic confirmation for new products supported on electronic platforms.

Confirmation Backlog Reduction		
Prior Commitments	June 2009 Letter	Explanation
Major Dealers commit to a medium-term goal of aged outstanding confirmations not exceeding more than 2 business days of trading volume by 30 June 2009.	By October 31, 2009, the OMG dealers commit that aged confirmations cannot exceed 1.5 business days of trading volume.	The target for reducing outstanding confirmations aged more than 30 calendar days has been increased.

Risk Mitigation of Non-Electronic Transactions		
Prior Commitments	June 2009 Letter	Explanation
<p>By 30 June 2009, Major Dealers commit to positively affirm most non-electronically eligible transactions between firms in the Operations Management Group (OMG) by T+3 with reporting of progress against this commitment to commence from 31 March 2009. Best practice for risk mitigation of transactions with all other market participants will remain as T+5 and be reviewed in 2009.</p>	<p>Commitment Continues</p>	<p>Positive affirmation of trade economics is a key risk mitigation technique for OTC derivatives because it assures that each counterparty's risk management systems accurately reflect the economic details of trades that have not yet been confirmed.</p>

Life Cycle Event Processing		
Prior Commitments	June 2009 Letter	Explanation
<p>By 30 September 2009, a target architecture for life cycle event processing will be defined.</p>	<p>Commitment Continues</p>	<p>Equity derivatives are subject to various types of lifecycle events, including corporate actions, barrier events and equity resets which differentiate them from other OTC derivative products. Although important, the immediate priority yielding the greatest benefit in the equity derivatives market is electronic processing to achieve trade date confirmation. Consequently, commitments related to improving life cycle event processing have been given a longer timeline.</p>
<p>By 31 December 2009, discussions will be held with potential service providers following which a decision will be made whether or not to proceed with implementation of a solution in 2010.</p>	<p>Commitment Continues</p>	
<p>By 30 June 2009, commitment to present a plan for the implementation of a warehouse to centrally store records of OTC equity derivative transactions.</p>	<p>Commitment Continues. By July 31, 2010 the OMG commits to implement a centralized reporting infrastructure for all OTC equity derivatives products. This infrastructure will include (i) summary trade details and (ii) a structure to report the information centrally. In the interim, by September 30, 2009 the OMG dealers commit to report, on a quarterly basis: the total notional size by product type of the OTC equity derivative portfolio with: (i) other OMG dealers, and (ii) all other market participants.</p>	

Central Settlement		
Prior Commitments	June 2009 Letter	Explanation
By 30 September 2009, a target architecture for cashflow affirmation will be defined, including a proposed timeframe and roadmap for electronic pre-value date affirmation of settlements.	Commitment Continues	Implementing pre-value date affirmation of settlements and central settlement will improve the current settlements process by reducing the likelihood of settlement fails and number of actual payments made between counterparties. However, without achieving substantial progress against the commitments towards electronic processing, any solutions to facilitate central settlement will be of limited benefit and as a result, commitments towards improving settlement processing have been given a longer timeline.
By 31 December 2009, potential service provider solutions will be evaluated and a recommendation made as to whether to proceed with one or more of these solutions.	Commitment Continues	

Interest Rate Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
Prior Commitments	June 2009 Letter	Explanation
By 31 January 2009, 75% of electronically eligible trades will be processed on an electronic confirmation platform.	On a quarterly basis, the OMG dealers commit to review the 75% confirmation target with supervisors. The OMG dealers will work with supervisors to provide more detailed reporting on the volume of transactions confirmed manually. The scope of this reporting will be agreed by June 30, 2009 and implemented by July 31, 2009, month end reporting.	This series of initiatives will increase the volume of trades processed electronically through MarkitWire by existing participants and address missed opportunities that lead to a paper confirmation.
Major Dealers commit to accept double-sided MarkitWire trades by 31 October 2008 and identify opportunities where a trade could have been electronically confirmed but was not in order to ensure that all future eligible trades are confirmed electronically	Commitment Completed	
By 31 December 2008, Major Dealers commit that their integration to MarkitWire does not inhibit double-sided trades and electronic confirmation.	Commitment Continues	
All Brokers to be able to process every MarkitWire trade double-sided by 31 March 2009.	Commitment Continues	
Commitment to identify solutions and agree on an efficient interoperable industry model for communicating trade allocation details by 31 January 2009.	Commitment Completed	

<p>Commitment to launch an interoperable model for communicating trade allocation details by 31 July 2009.</p>	<p>Commitment Continues. By June 30, 2009, the OMG commits to deliver an implementation timeline to roll-out automated allocation functionality that is interoperable across service provider platforms</p>	
<p>By 30 November 2009, all trade allocations are to be received electronically using an industry accepted tool.</p>	<p>Commitment Continues</p>	
<p>From 30 June 2009, Major Dealers commit to support all electronically eligible trades within 90 days of availability on an electronic confirmation platform where they are trading more than 20 eligible trades per month based on a three month average with regular reporting to the Supervisors thereafter of Major Dealers who have not begun to electronically confirm eligible products where they meet this criteria.</p>	<p>Commitment Continues</p>	<p>This is a critical element to driving automation and ultimately trade date confirmation.</p>
<p>Commitment that from 30 June 2009, all confirmable events that can be processed electronically using an electronic confirmation platform should be processed electronically within 90 days where market participants are trading more than 20 eligible trades per month based on a three month average with client onboarding progress to be reported to the Supervisors regularly thereafter including the names of Dealers and Buy-Side participants who are trading more than 20 electronically eligible events per month but have yet to onboard onto an electronic confirmation platform.</p>	<p>Commitment Continues</p>	<p>This commitment expedites participant's implementation of electronic confirmation on electronic platforms.</p>
<p>No Commitment</p>	<p>Beginning July 31, 2009, the OMG dealers commit to report submission and matching data for electronically eligible volume in both MarkitWire and DTCC/DerivServ. The OMG commits to the following targets on DTCC Deriv/SERV: i) Submit 75% of electronic confirmations no later than T+1 business days by October 31, 2009 and ii) Match 75% of electronic confirmations no later than T+3 business days by</p>	<p>Electronic processing is a high priority for the interest rate derivatives market where only 54% of total volume was electronically confirmed in September 2008 despite 87% of total volume being electronically eligible. This series of initiatives will increase the volume of trades processed electronically through electronic platforms by existing participants and address missed opportunities that lead to a paper confirmation.</p>

	October 31, 2009.	
No Commitment	By July 31, 2009 the OMG dealers commit to report submission accuracy data for electronically eligible volume in both MarkitWire and DTCC Deriv/Serv volume, separately, for July 2009 month end reporting.	

Confirmation Backlog Reduction		
Prior Commitments	June 2009 Letter	Explanation
By 30 September 2008, aged confirmations cannot exceed 2 business days of trading volume.	By September 30, 2009, aged confirmations cannot exceed 0.50 business days of trading volume ⁶ The OMG commits to review this target with supervisors on a quarterly basis to get to a steady state of T+0 matching.	The current target for efficient processing of outstanding confirmations aged more than 30 calendar days is currently regarded as a reasonable baseline with no need to increase this target at this time.

Risk Mitigation of Non-Electronic Transactions		
Prior Commitments	June 2009 Letter	Explanation
Positive affirmation of economic trade details to occur by T+5 business days for all unconfirmed trades.	Commitment Continues	Positive affirmation of trade economics is a key risk mitigation technique for OTC derivatives because it assures that each counterparty's risk management systems accurately reflect the economic details of trades that have not yet been confirmed.
Commitment to review by 31 December 2008, electronic solutions available for clients who currently receive paper, regardless of their sophistication or automation to be followed by implementation of such solutions as appropriate.	Commitment Completed	There will always be a minority of market participants for whom it is not possible to prove the business case for onboarding onto an electronic confirmation platform. In order to ensure secure delivery of documentation and improved execution times for these market participants, commitments have been made to implement electronic solutions where possible.
Commitment to define a process by 28 February 2009 that will highlight opportunities for onboarding new products onto available electronic confirmation platforms.	Commitment Continues	This is a necessary commitment to identify and prioritise further products for onboarding onto electronic confirmation platforms in order to increase the electronic eligibility of the market.
Commitment to review by 31 December 2008, the previously published ISDA Best Practice Guidelines on affirmation, confirmation and dispatch and recommend updates to ensure they represent current industry commitments. Adherence to these updated Guidelines committed from 31 March 2009.	Commitment Completed	The ISDA Best Practice Guidelines have been reviewed and updated to reflect new commitments being made, including affirmation and confirmation dispatch.

⁶ trading volume is based on the prior three months rolling volume.

Trade Compression		
Prior Commitments	June 2009 Letter	Explanation
Commitment to continue to maximise use of existing market solutions by subscribed users for all eligible products with detailed information illustrating market usage to be provided to the Supervisors by the relevant vendors on an ongoing basis forthwith.	Commitment Continues	Reducing the number of outstanding interest rate derivative trades will reduce aggregate notional amounts outstanding, reduce counterparty credit exposures and make a dealer's book of trades easier to manage.
By 28 February 2009, commitment to identify and assess solutions in consultation with service providers to further maximise the operational benefits of trade compression.	Commitment Completed	
Commitment to commence coordinated compression cycles amongst Major Dealers by 31 March 2009 with the goal of maximising trade compressions by eligible participants on an ongoing basis.	OMG dealers commit to participate in main currency cycles (EUR, GBP, JPY and USD) and to extend efforts, where possible, to other currencies. By June 30, 2009, OMG dealers commit to supply aggregate and participant level compression metrics to supervisors on a quarterly basis, including bilateral compression runs and unwinds.	

Life Cycle Event Processing		
Prior Commitments	June 2009 Letter	Explanation
Commitment to identify solutions and agree on an efficient interoperable industry process in order to develop an appropriate novation consent strategy by 31 January 2009 that will support management of novation requests on trade date.	Commitment Completed	Novations are the primary life cycle event occurring in the interest rate derivatives market, facilitated by a well established process reliant on email communication. Improving the current novation consent process to one that is electronic would improve efficiency and timely trade processing.
Commitment to launch an interoperable process for communicating novations on trade date by 31 July 2009.	Upon delivery by MarkitSERV of an interoperable confirmation process between MarkitWire and DTCC confirmation platforms, the OMG commits to use this functionality for all eligible products within 90 days of its release ⁷ .	
By 30 November 2009, all novation consents are to be received electronically using an industry accepted	By November 30, 2009, the OMG commits to deliver a plan for adoption, reporting and enforcement of the novation	

⁷ As per the October letter, OMG dealers will provide a monthly list to supervisors of counterparties who are trading more than 20 eligible trades per month based on a three month average

<p>tool.</p>	<p>consent process upon MarkitSERV's roll out of (i) a single step novation confirmation/novation consent process for electronically processed Interest Rate Swaps and Swap Options where the initial trade has been confirmed on MarkitWire and (ii) additional novation consent functionality including expansion to cover trades initially confirmed on DTCC Deriv/Serv and (iii) a consent-only mechanism for non-electronic trades.</p>	
<p>By 31 March 2009, commitment to present a plan for the implementation of a warehouse to centrally store records of OTC interest rate derivative transactions.</p>	<p>By December 31, 2009, The OMG commits to implement an industry-wide centralized reporting infrastructure to include (i) summary trade details for all interest rate products, and (ii) a structure to report the information centrally. A plan for this centralized reporting infrastructure shall be delivered by September 30, 2009. In the interim, by May 31, 2009, as part of the monthly metrics provided to supervisors, the OMG dealers commit to report the following trade information:</p> <p>a) total notional size of the interest rate derivative portfolio at the end of each month between OMG dealers and: (i) other OMG dealers, (ii) the LCH.Clearnet's SwapClear service, and (iii) all other market participants; and b) Maturity profile across tenor buckets between OMG dealers and other market participants.</p>	

Central Settlement		
Prior Commitments	June 2009 Letter	Explanation
<p>Commitment to assess opportunities for (i) electronic pre-value date affirmation of settlements and (ii) multilateral net settlement across a range of providers by 31 March 2009.</p>	<p>By September 30, 2009 commitment to deliver a strategic roadmap that evaluates cashflow reconciliation, automation, central netting and settlement processes.</p>	<p>Implementing pre-value date affirmation of settlements and multilateral net settlement will improve the current settlements process by reducing the likelihood of settlement fails, number of actual payments made between counterparties and is aimed at improving the number and age profile of outstanding breaks.</p> <p>Due to the higher number of product types and different customer profile across the interest rate derivatives market coupled with asynchronous settlements and fewer novations that lead to more scheduled and stable settlements, the strategic goal of central settlement has a lower relative priority than electronic processing and therefore has been given a longer lead time.</p>

Central Counterparty Clearing		
Prior Commitments	June 2009 Letter	Explanation
Commitment to the continued use of central counterparty clearing by subscribed users of LCH.Clearnet's SwapClear service.	Commitment Continues. By September 30, 2009, three additional dealers commit to go live with clearing. SwapClear will also be extended to include: (i) Additional tenors for GBP, USD, Euro and Yen to 50 years and CHF to 30 years, (ii) Swaps with Short Stubs, (iii) Swaps with Negative Rates, and (iv) Overnight Index Swaps.	Central counterparty clearing arrangements with robust risk management regimes help reduce systemic risk associated with counterparty credit exposures and improve the ability of market participants to address the failure of a major participant.
OTCderivNet commit to present a detailed 2009 delivery schedule for SwapClear to the Operations Management Group (OMG) by 30 November 2008.	Commitment Completed	

Commodities Market

Electronic Processing to Support Trade Date Confirmation		
Prior Commitments	June 2009 Letter*	Explanation
Commitment to augment existing monthly metrics submission with product-specific breakouts (Energy, Metal, Other) by 31 October 2008 and also include cleared OTC metrics from 31 December 2008 to more accurately report the total population of activity supported through electronic processing.	Commitment Completed	The metrics provided will continue to identify volumes and confirmation matching rates and will provide additional granularity on product-specific trends and opportunities for increasing electronic processing.
By 31 December 2008, Major Dealers commit to implement enhanced monthly reporting to identify inter-dealer volumes and eligible trades that were not electronically confirmed.	Commitment Continues	In order to confirm OTC transactions, both counterparties are required to agree key contract terms. Major Dealers are committed to supporting the use of electronically matching transaction terms as a preferred method of confirming inter-dealer transactions.
Commitment to complete a white paper by 31 March 2009 defining industry standards for electronic confirmation matching of eligible products.	Commitment Continues	
Commitment to complete a review of dealer-to-dealer confirmation matching rates by 31 March 2009, and aggregate dealer-to-non-dealer metrics by 30 June 2009 with Supervisors.	Commitment Continues	

Commitment to work with the ISDA Commodities Operations Working Group and LEAP to accelerate the review of current and planned service provider offerings focused on electronic confirmation matching with the goal of increasing take-up of electronic offerings by all market participants.	Commitment Continues	
Documentation standardization to be promoted through ISDA and LEAP projects.	Commitment Continues	OTC derivatives contracts require substantial legal documentation, standardized by such industry groups as ISDA and LEAP. Standardization of documentation is a prerequisite for electronic processing.

Risk Mitigation of Non-Electronic Transactions		
Prior Commitments	June 2009 Letter*	Explanation
Commitment to work with ISDA and LEAP to create and publish version 1.0 of the Commodities Documentation Matrix.	Commitment Completed	OTC derivatives contracts require substantial legal documentation, standardized by such industry groups as ISDA and LEAP. This matrix covers key documentation for physical and financial products, including publication dates for completed documents and targets where available for work in progress.
Complete the definition of criteria and updated shared priorities for onboarding new products onto electronic confirmation platforms to be completed by 31 March 2009.	Commitment Completed	This is a necessary commitment to identify and prioritise further products for onboarding onto electronic confirmation platforms in order to increase the electronic eligibility of the market.

Trade Compression		
Prior Commitments	June 2009 Letter*	Explanation
Commitment to continue the strategy of periodic trade compression, including bilateral tear-ups, with commencement of a coordinated compression program from 31 March 2009, if appropriate.	Commitment Continues	Reducing the number of outstanding trades will reduce aggregate notional amounts outstanding, reduce counterparty credit exposures and make a dealer's book of trades easier to manage.

Life Cycle Event Processing		
Prior Commitments	June 2009 Letter*	Explanation
By 30 June 2009, commitment to work with ISDA and LEAP to prepare a summary of key commodities life cycle events and where appropriate, align life cycle event projects with the established metrics, documentation and related electronification programs.	Commitment Continues	Physically and/or financially settled instruments traded by the Major Dealers include a range of potential post trade life cycle events, including novations. Introducing electronic processing for life cycle event management would improve efficiency and timely trade processing. Given the higher priority of electronification for the commodities market, life cycle event processing has a relatively lower priority and therefore has been given a longer lead time to implement.

Central Counterparty Clearing and Settlement

Prior Commitments	June 2009 Letter*	Explanation
<p>Commitment to continue leveraging existing central counterparty clearing and settlement services, working with current providers to prioritise and implement additional cleared OTC product offerings, as appropriate.</p>	<p align="center">Commitment Continues</p>	<p>There are a number of established cleared OTC services for the commodities derivatives market that include electronic trading interfaces and central clearinghouse capabilities. Central counterparty clearing arrangements with robust risk management regimes help reduce systemic risk associated with counterparty credit exposures and improve the ability of market participants to address the failure of a major participant.</p>
<p>Commitment to work with ISDA to host a commodities-specific vendor session by 31 January 2009. This session will focus on electronic processing of confirmations and settlements and serve as an informational session for a broad range of market participants.</p>	<p align="center">Commitment Completed</p>	
<p>By 30 June 2009, commitment to produce a generic white paper outlining industry requirements for commodities settlement matching which can be utilized by various service providers to shape their solutions.</p>	<p align="center">Commitment Continues</p>	

Foreign Exchange / Currency Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
Prior Commitments	June 2009 Letter*	Explanation
By 31 December 2008, commence reporting performance metrics to the Supervisors on a quarterly basis, plus introduction of monthly metrics reporting from 31 July 2009.	Commitment Continues	<p>Foreign exchange derivatives processing is at a more mature stage than that of other derivative asset classes. Major Dealers will begin submitting regular reporting of performance metrics to provide a basis for supervisory monitoring.</p> <p>FX derivatives have experienced steady growth over the past 15-20 years, but in all still only make up approximately 30% of total transactional volume in the FX market. (Spot and forward FX form the core product and comprise approximately a 70% share of total transaction and processing volume in the market.) FX derivatives are grouped into five basic product families: non-deliverable forwards (NDFs), non-deliverable options (NDOs), deliverable options (Vanillas), simple exotic options (Barriers) and complex exotic options. The first four of these families form the primary industry focus for continued electronic processing in the future. A five-year steady-state goal would see meaningful (90-95% of all activity) electronic processing (confirmation, life cycle event processing and central settlement) for all derivative families except for complex exotic transactions. A series of commitments towards this steady-state goal have been made.</p>
Major Dealers commit to increase electronic processing of non-deliverable forward (NDF) volume from approximately 25% of electronically eligible confirmable volume to 50% by 31 December 2009.	Commitment Continues	
Major Dealers commit to begin electronic processing of electronically eligible non-deliverable option (NDO) volume by 30 June 2009, growing to 25% of confirmable volume by 31 December 2009.	Commitment Continues	
Major Dealers commit to begin electronic processing of 10% of electronically eligible simple exotic option (Barrier) volume (single-level, knock-out, currency options) by 31 December 2009.	Commitment Continues	
Major Dealers commit to increase electronic processing of an additional 10% of electronically eligible confirmable simple exotic options (Barrier) volume (deliverable double-level knock-outs, single and double-level knock-ins, single and double-level digital options) such that 20% of total Barrier volume will be electronically processed by 31 December 2010.	Commitment Continues	
Buy-Side institutions in the Operations Management Group (OMG) commit to increase electronic processing of deliverable option (Vanilla) and non-deliverable forward (NDF) volume from 5% to 40% of electronically eligible confirmable volume by 31 December 2009.	Commitment Continues	

By 31 December 2010, Major Dealers commit to working with the Emerging Markets Traders Association (EMTA) to agree on specific data sources, combination of data sources or development/implementation of new data sources in order to increase the number of standardized non-deliverable currency pairs.	Commitment Continues	Standardization will be prioritised on the basis of the volume of affected trades and can be leveraged to increase electronic processing of non-deliverable forwards and non-deliverable options.
By 31 December 2009, commitment to create a Buy-Side operations manager working group which will meet jointly with the Major Dealers to strategise on how to increase electronic processing with a kick-off meeting planned to take place in November 2008 and a proposed quarterly meeting schedule thereafter.	Commitment Continues	As solutions and the number of offerings has increased over recent years, meeting jointly will assist both the Buy-Side and Major Dealers in determining what other barriers can be addressed in order to increase Buy-Side engagement.

Risk Mitigation of Non-Electronic Transactions		
Prior Commitments	June 2009 Letter*	Explanation
By 31 December 2010, Major Dealers commit to work with ISDA to increase the number of standardized templates and terms for complex exotic confirmations which can then be more easily captured electronically and if appropriate, be electronically processed. The next set of products the market will be working on are Variable Quantity, Average Rate and Volatility instruments.	Commitment Continues	OTC derivatives contracts require substantial legal documentation, standardized by such industry groups as ISDA. Document standardization is necessary to enable these products to become electronically eligible.
Ongoing commitment to standardize paper contracts and create more robust best practices around manual processing of complex exotics.	Commitment Continues	Complex exotics make up the smallest segment of FX and currency derivatives trade volume and are viewed to be effectively managed by way of manual processing.

* While Commodities and Foreign Exchange/Currency Derivatives are not included in the June 2009 Letter, a summary of their prior and continuing commitments are included for completeness

Collateral Management Practices

Portfolio Reconciliation		
Prior Commitments	June 2009 Letter	Explanation
ISDA best practice portfolio reconciliation to be implemented between Major Dealers by 31 December 2008, including weekly inter-dealer reconciliation of collateralised portfolios exceeding 5,000 trades.	By June 30, 2009, execute daily collateralized portfolio reconciliations for collateralized portfolios in excess of 500 trades between OMG dealers as detailed in the December 31, 2008 Collateral Update letter.	<p>OTC portfolios consist of a set of OTC derivative positions against a counterparty. In order to protect against the credit risk of that counterparty, these portfolios are typically collateralised. Managing the collateral for these positions introduces other risks, in particular, disagreements about the composition and value of these OTC portfolios.</p> <p>Differences in the portfolio composition between a pair of counterparties are typically resolved through portfolio reconciliation exercises.</p>
By 31 December 2008, Major Dealers commit to identify follow-on targets for portfolio reconciliation to be pursued in 2009.	By June 2, 2009, implement revised reporting thresholds comprised of a fixed USD amount supplemented with risk-based deviation for portfolio reconciliations between OMG dealer firms, as detailed in the March 31, 2008 Collateral Update Letter.	
Major Dealers commit to collect and report monthly metrics regarding their portfolio reconciliation activities to the Supervisors. The first report will be due on 13 February 2009 for the month of January 2009.	Commitment Continues	
No Commitment	By October 31, 2009, publish a feasibility study ⁸ on marketwide portfolio reconciliation that will set out how the discipline of regular portfolio reconciliations can be practically extended beyond the current OMG dealers to include smaller banks, buy-side participants, and derivative end-users.	

Margin Dispute Resolution		
Prior Commitments	June 2009 Letter	Explanation
By 30 April 2009, develop an improved approach to managing disagreements over the valuation of trades in order to reduce the severity of margin disputes.	By June 2, 2009, publish for comment the first phase of a proposed mechanism for resolution of disputed margin calls (the "DR Protocol"). The OMG will discuss a timetable for implementation with supervisors. By June 30, 2009, publish for comment the second phase of the DR Protocol. Agreed protocol finalized by September 30, 2009.	<p>Although portfolio reconciliation ensures that counterparties agree on the composition of their portfolios, they may still disagree about the value of reconciled portfolios, particularly those containing complex OTC derivatives. Improving how valuation differences are addressed will help assure that the appropriate collateral amounts can be delivered in a timely manner.</p>

⁸ The study will look to capture market requirements, challenges, potential solutions, and dependencies. The study will be undertaken by representatives of dealer and buy-side firms under the auspices of the ISDA Collateral Committee.

Collateral Management

Prior Commitments	June 2009 Letter	Explanation
<p>ISDA commits to publish a Roadmap for Collateral Management during May 2009.</p>	<p>By June 2, 2009, deliver the Roadmap for Collateral Management to supervisors.</p>	<p>ISDA worked with its members and other industry associations to provide an industry-wide coordinated vision of desired key improvements in the collateral management space. The conclusions of this work are presented in roadmap that contains specific implementation steps and timeframes for proposed actions in 2009 and a more general framework for action beyond.</p>
<p>The ISDA Collateral Committee commit to establish a schedule of monthly meetings of the full committee for at least the next six months as well as establishing smaller Collateral Working Groups to focus on specific topics that will meet more frequently as required. Periodic updates on progress will be provided to the Supervisors for informational purposes, and at mutually agreeable intervals Supervisors will be invited to participate in these meetings.</p>	<p align="center">Commitment Completed</p>	<p>These forums permit broad industry engagement in collateral management issues and ensure the program to improve collateral management maintains strong momentum. Inviting Supervisors to participate in some meetings will facilitate communication, sharing of ideas and provision of feedback.</p>