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ISDA Comments on EC'S MiFID Proposals

NEW YORK, Thursday, October 20, 2011 – The International Swaps and Derivatives Association, Inc. (ISDA) welcomes the publication by the European Commission of legislative proposals relating to its review of the Markets in Financial Instruments Directive (MiFID).

The overarching objective of the original MiFID framework was to further the integration, competitiveness and efficiency of European financial markets, and ISDA supports changes that build on that goal, including the introduction of a well calibrated post-trade transparency regime for OTC derivatives.

ISDA is concerned, however, that the European Commission's stance on organised trading of OTC derivatives goes well beyond the spirit of the September 2009 G20 commitment that OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate.

In particular, the European Commission proposes certain restrictions on Organised Trading Facilities that will hurt end user choice and market liquidity. These restrictions would, in essence, limit the types of trades that can be transacted on single dealer platforms and would adversely affect the ability of firms to effectively manage their risks.

Conrad Voldstad, ISDA Chief Executive Officer, said: "OTC derivatives trade infrequently. For example, only 3,600 interest rate swaps are traded each day globally and only half of these are sufficiently standardized to be cleared. In all, we think less than 1,000 interest rate swaps will be traded in Europe on Organized Trading Facilities. Half of these may be interdealer trades and the balance will be divided across hundreds of infrequently traded contracts with different maturities. These trades depend on the ability of dealer firms to make markets, particularly given the large trade size of most interest rate swaps. If you want to protect end users' ability to access these markets, then you need a suitable range of venues on which to trade; limiting what you class as an eligible trading platform for OTC derivatives is not a good move." By way of comparison, around 1 million orders are executed every day on the London Stock Exchange.

ISDA will continue to engage with the European Commission, as well as other as policymakers within the European Parliament and Council of Ministers over the coming months on the topic of MiFID, in support of a legislative framework that advances ISDA's commitment to safe, efficient markets.

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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 825 member institutions from 57 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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