



Safe,  
Efficient  
Markets

**26<sup>th</sup> Annual General Meeting**  
April 12-14, 2011  
Prague

# Opening Remarks

**Conrad P. Voldstad**  
Chief Executive Officer  
ISDA

**9:00am**  
**Wednesday, April 13, 2011**

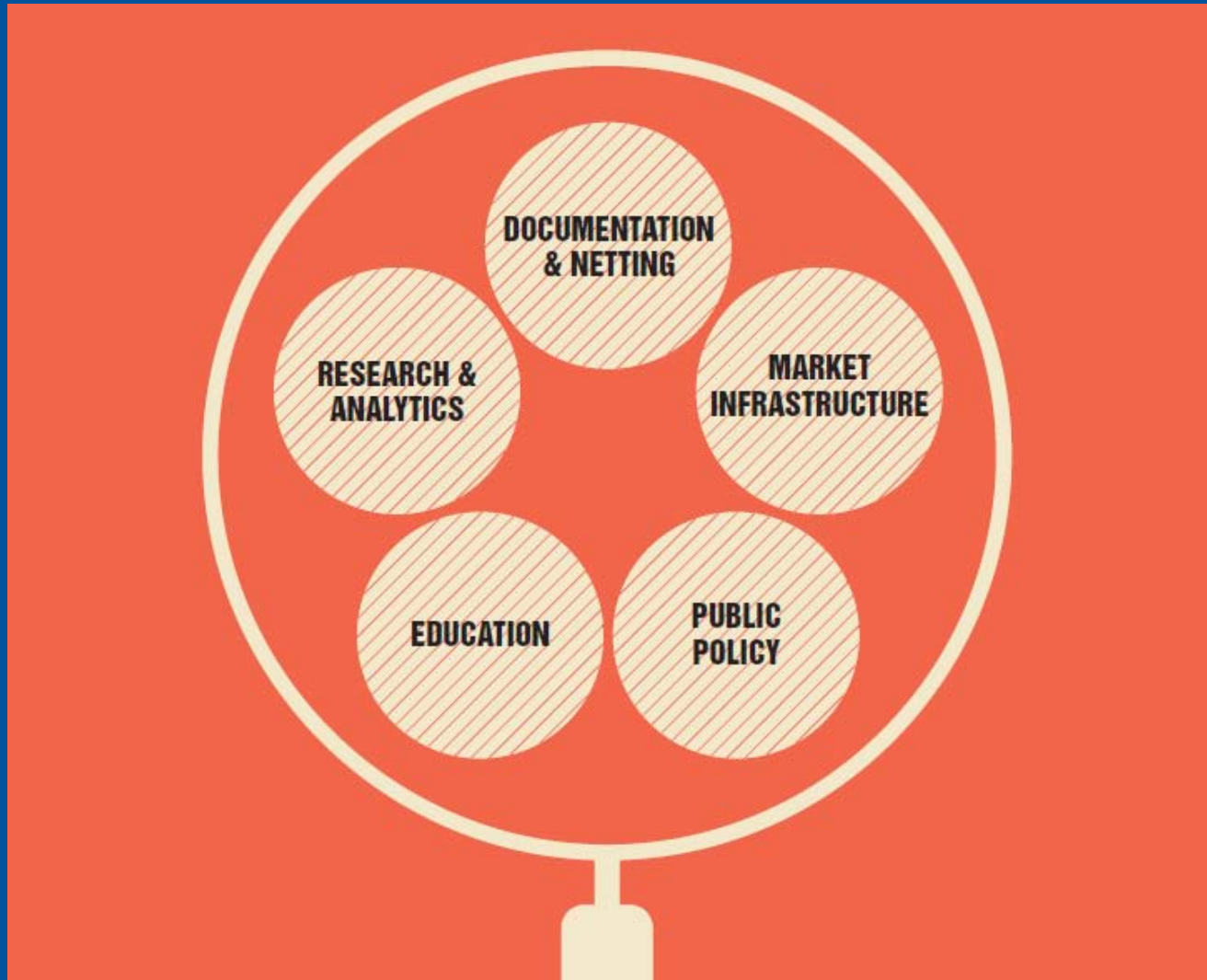
# Outline

---

- ISDA's Core Competencies
- ISDA's Central Message
- New Website
- A Few Unusual but Important Facts about OTC Derivatives

# Core Competencies

---



# Documentation & Netting

---

- ISDA is expanding the scope of netting and collateral opinions
  - 55 Netting Opinions
  - 45 Collateral Opinions
- ISDA IIFM Tahawwut Master Agreement
- Amicus activity
- CDS Determinations Committees
- Equity derivatives definitions
- Set-off across cleared and uncleared trades
- Collateral dispute resolution
- Review of Section 2(a)(iii) and related provisions of ISDA Master Agreement
- Documentation Advisory Board

# Market Infrastructure

---

- ODSG commitments letter
- RFP processes for trade repositories
- Major enhancements to collateral management processes
- Best practices: settlements and claims
- Surveys: Operations Benchmarking and Margin
- ISDAFIX suite of swap fixings since 1988

# Public Policy

---

ISDA has responded to 50 US regulatory proposals and requests for comment.



ISDA has visited 17 European capitals, met with officials from other Member States in Brussels and met with dozens of MEPs.



ISDA meets regularly with scores of policymakers across all six continents.

# Education

---

150 ISDA conferences held in 2010 in 23 cities



Beijing	London	South Africa
Boston	Mumbai	Stockholm
Chicago	New York	Sydney
Copenhagen	Paris	Taipei
Frankfurt	San Francisco	Tokyo
Hong Kong	Seoul	Toronto
Houston	Shanghai	Washington
Kuala Lumpur	Singapore	

# Research & Analytics

---

## Market Structure

- Swap Execution Facilities: Can They Improve the Structure of OTC Derivatives Markets?, March 2011
- Equity Derivatives Quantitative Study, January 2011
- Block Trade Reporting for Over-the-counter derivatives markets, January 2011
- Interest Rate Swap Liquidity Test, November 2010
- Trade Transparency in OTC Credit, Interest Rates and Equity Markets



# Research & Analytics

---

## Regulatory Capital

- Fundamental review of the trading book
  - Trading book/banking book boundary
  - The future of CVA
  - Capital models for assets with variable liquidity horizons
- Capitalization of bank exposures to CCPs
- Basel 3 and CRD IV including
  - Countercyclical buffers
  - Counterparty credit risk/CVA
- Sound Practices for Backtesting CCR Models
- Benchmarking CRM and IMM models

# ISDA's Central Message

---



New logo highlights ISDA's commitment to safe, efficient markets.

ISDA<sup>®</sup>

# New Website: www.isda.org

- Helps members stay abreast of key developments
- Better design, organization and functionality

The screenshot displays the ISDA website homepage. At the top left is the ISDA logo with the tagline "Safe, Efficient Markets". To the right is a search bar with a "Search" button. Below this is a navigation menu with links for "Functional Areas", "Asset Classes", "Regions", "Committees", "Conferences", "Newsroom", "Bookstore", and "About".

The main content area features a video player with a black background and green text that reads: "Virtually every large company in the world uses OTC derivatives to manage the risks that are part of their everyday business activities\_". Below the video is a yellow "Learn More" button and navigation arrows.

On the right side, there is a "Current topics & quick links" section with a list of links: "Legal & Documentation", "Market Infrastructure", "Dodd-Frank Legislation", "Research", "Determinations Committees", "Commitment Letters", "Risk Management", "Protocols", "Credit Events", and "ISDA Members Portal".

At the bottom, there are two news sections. The first is "ISDA LATEST NEWS" with a "See All" button, featuring a news item dated "March 29, 2011" titled "ISDA: SEF Rules Should Provide Greater Choice, Access and Liquidity to OTC Derivatives Market". The second is "ISDA FOCUS" with a magnifying glass icon, featuring a news item titled "Improving Transparency" with the subtext "ISDA's work in increasing regulatory transparency and our research and views".

At the bottom right, there is a "Conferences" section with a person icon and the text "Understanding Collateral Arrangements".

# A Few Unusual but Important Facts about Derivatives

# Effectiveness of Credit Mitigation

---

(US Dollar trillions)

Gross notional	\$583.0	
Gross mark-to-market	\$25.0	
Net mark-to-market	\$3.6	= 0.6% of notional
Percent collateralized	70%	
Net uncollateralized exposure	\$1.2	= 0.2% of notional

# Risk in CDS Market

---

(US Dollar trillions)

	Gross Exposure	Net Exposure
Single- Name	15.1	1.2
Index	12.3	1.3
Total	27.4	2.5

Source: DTCC

# Increase in Clearing

---

\$70 trillion reduction in uncleared IRS

	<u>YE'08</u>	<u>YE'09</u>	<u>6/30/10</u>	<u>% chg</u>
Volume of IRS as reported	341	350	348	NA
LCH double count	(76)	(108)	(115)	NA
Adjusted Total	265	242	233	(12)
<b>Uncleared Total</b>	<b>189</b>	<b>134</b>	<b>119</b>	<b>(37)</b>
% cleared	29%	45%	49%	

Source: BIS, LCH.Clearnet

# Other Facts

---

- Lehman Bankruptcy

  - Only 5 non-financial derivatives counterparties with more than \$20 million in claims

- Number of collateral agreements in use: 149,518

  - 90%, or 135,000, are ISDA

- Over 90% of OTC derivatives markets is IRS

  - CDS is 6%

  - Equity is 2%

  - Commodities is 1%



ISDA<sup>®</sup>

Safe,  
Efficient  
Markets