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
- Research & Analytics
- Market Infrastructure
- Education
- Public Policy
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
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  Boston  Chicago  Copenhagen  Frankfurt  Hong Kong  Houston  Kuala Lumpur
London    Mumbai   New York   Paris    San Francisco   Seoul    Shanghai   Singapore
South Africa  Stockholm  Sydney   Taipei    Tokyo    Toronto    Washington
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.
New Website: www.isda.org

- Helps members stay abreast of key developments
- Better design, organization and functionality
A Few Unusual but Important Facts about Derivatives
Effectiveness of Credit Mitigation

(US Dollar trillions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Gross notional</td>
<td>$583.0</td>
</tr>
<tr>
<td>Gross mark-to-market</td>
<td>$25.0</td>
</tr>
<tr>
<td>Net mark-to-market</td>
<td>$3.6</td>
</tr>
<tr>
<td>Net mark-to-market (% of notional)</td>
<td>0.6%</td>
</tr>
<tr>
<td>Percent collateralized</td>
<td>70%</td>
</tr>
<tr>
<td>Net uncollateralized exposure</td>
<td>$1.2</td>
</tr>
<tr>
<td>Net uncollateralized exposure (% of notional)</td>
<td>0.2%</td>
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</tbody>
</table>

Source: BIS, ISDA
# Risk in CDS Market

<table>
<thead>
<tr>
<th></th>
<th>Gross Exposure</th>
<th>Net Exposure</th>
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<tbody>
<tr>
<td>Single- Name</td>
<td>15.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Index</td>
<td>12.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>27.4</td>
<td>2.5</td>
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</table>

(US Dollar trillions)

Source: DTCC
## Increase in Clearing

$70 trillion reduction in uncleared IRS

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

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%