

This document summarises the commitments to further strengthen the operational infrastructure for OTC derivatives being made by market participants to the Fed as of 31 October 2008.

Since their collective effort to address weaknesses in the OTC derivatives market began in 2005, the derivative market place has taken aggressive steps to improve the OTC processing environment, significantly reducing systemic risk and increasing transparency.

While positive inroads have been made, there is still more work to be done and to this end, market participants have identified seven high-level goals across the OTC derivative markets that form the core of the industry's strategic vision going forward.

1. Global use of central counterparty processing and clearing to significantly reduce counterparty credit risk and outstanding net notional positions
2. Continued elimination of economically redundant trades through trade compression
3. Electronic processing of eligible trades to enhance trade date confirmation issuance and execution
4. Elimination of material confirmation backlogs
5. Risk mitigation for paper trades
6. Streamlined trade life cycle management to process events between upstream trading and confirmation platforms and downstream settlement and clearing systems
7. Central settlement for eligible transactions to reduce manual payment processing and reconciliation

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 concerns and objectives across the suite of products. The commitments below articulate a strategic roadmap for each asset class, presenting milestones as they relate to the above goals where applicable. As an integral part of the OTC derivatives market, commitments for collateral management have also been made and are described below.

The tables on the following pages summarise both new and continuing commitments.

Credit Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
July 2008 Letter	October 2008 Letter	Explanation
92% T+1 trade submission, excluding novations by 31 December 2008	85% T+0 trade submission for all trade types, including novations by 30 June 2009	<p>The targets for timely and accurate trade submission of electronically eligible trades to electronic confirmation platforms have been increased. These two metrics are key drivers to achieving trade date confirmation. The target to confirm by T+5 remains, however the Major Dealers will also begin monthly reporting of their T+0 confirmation performance to provide greater transparency of this strategic goal.</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>
92% confirmation without modification, excluding novations by 31 December 2008	94% confirmation without modification for all trade types, including novations by 30 June 2009	
95% T+5 trade confirmation, excluding novations by 31 December 2008	Commitment Continues PLUS Monthly reporting of T+0 trade confirmation performance	
Commitments Continuing from Previous Letters		Explanation
Market participants to be capable of submitting and accepting electronically eligible trades within 60 days of availability on an electronic confirmation platform		This commitment expedites participants' support for new products shortly after they are added on electronic confirmation platforms.
Market participants to send correct trade allocations on T+0		This practice assures that both dealers and buy-side firms credit trades to the appropriate legal entities in a timely manner.
Major Dealers to continue to quickly onboard new clients onto electronic platforms		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		Universal use of standardised 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		
July 2008 Letter	October 2008 Letter	Explanation
Unconfirmed aged confirmations cannot exceed 1 business day of trading volume	Commitment Continues	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.
Commitments Continuing from Previous Letters		Explanation
Lock-ins to review outstanding inter-dealer trades continue as committed in 2005		Lock-ins are now part of the regular course of business.

Risk Mitigation of Non-Electronic Transactions	
Commitments Continuing from Previous Letters	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	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		
July 2008 Letter	October 2008 Letter	Explanation
Commitment to 100% processing of novation consents for eligible products through an electronic platform by 31 December 2008. Eligible products include corporate, sovereign, mortgage, and loan CDS, index, and tranches, as well as muni CDS and muni index).	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, including potential revisions to the ISDA Novation Protocol	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 Continues	Incorporating the auction-based settlement mechanism into standard documentation will increase certainty following credit events by ensuring full participation and a transparent and orderly settlement process.
No Commitment	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 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	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.

Trade Compression		
July 2008 Letter	October 2008 Letter	Explanation
Starting in August 2008, Major Dealers will begin an effort to reduce the number of outstanding single-name CDS trades. Dealers will also continue to reduce the number of outstanding index CDS trades through coordinated multilateral terminations.	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.	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		
July 2008 Letter	October 2008 Letter	Explanation
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 that all Major Dealers in the Operations Management Group (OMG) will be fully live for central settlement by 28 February 2009	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. Following the successful implementation of index tranche settlements in October 2008, CDS on ABS remains the primary product that is electronically confirmed but not settled through TIW and CLS.
	Commitment that all Buy-Side institutions in the OMG will be fully live for central settlement by 31 May 2009	
	Commitment that by 31 August 2009, 90% of settlement volume on electronically confirmed transactions across market 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	
No Commitment	Commitment to develop a plan by 30 November 2008 to implement the settlement of CDS on ABS transactions in 2009	

Central Counterparty Clearing		
July 2008 Letter	October 2008 Letter	Explanation
<p>Major Dealers commit to launching a central counterparty (CCP) clearing facility for credit derivatives index products by December 2008. They also commit that any CCP in which they participate will comply with international regulatory standards for central counterparties.</p>	<p>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) utilise 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.</p>	<p>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>

Equity Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	By 31 October 2008, commitment to publish quarterly volume metrics by product for non-electronically eligible transactions	Greater volume transparency of products not yet eligible for electronic processing will support the identification and prioritisation 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	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 or a matrix documentation structure 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	OTC derivatives contracts require substantial legal documentation, standardised by such industry groups as ISDA. Document standardisation 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 standardisation 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	
	60% of Major Dealers volume to be electronically eligible by 31 December 2009	This target is reflective of the relatively higher proportion of bespoke, structured products (currently estimated at 25% of total volume) which will not be eligible for electrification.
	By 31 March 2009, Major Dealers commit to supporting electronically eligible products on an electronic confirmation platform within 90 days of the product becoming electronically eligible. This target excludes Equity Swaps which will be subject to separate targets and reporting.	This commitment expedites participants' support for new products shortly after they are added on electronic confirmation platforms.
	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.	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>Agreement of a confirmation strategy for financing and swap business by 30 November 2008</p>	<p>Commitment Continues</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 standardisation and automation.</p>
<p>75% of all eligible trades to be processed on an electronic confirmation platform by 31 January 2009</p>	<p>80% of electronically eligible events with all counterparties to be electronically confirmed by 31 March 2009</p>	<p>The previous target for electronic confirmation of electronically eligible events has been increased in a series of incremental steps towards a medium-term goal of 85%. The present 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.</p>
<p>Market participants trading ten or more electronically eligible transactions in a month will be encouraged to onboard to an electronic confirmation platform within 90 days</p>	<p>85% of electronically eligible events with all counterparties to be electronically confirmed by 30 September 2009</p> <p>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.</p> <p>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.</p>	

<p>Confirmation Backlog Reduction</p>		
<p>July 2008 Letter</p>	<p>October 2008 Letter</p>	<p>Explanation</p>
<p>By 31 January 2009, aged confirmations cannot exceed 3 business days of trading volume</p>	<p>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</p>	<p>The target for reducing outstanding confirmations aged more than 30 calendar days has been increased and will be reviewed in 2009.</p>

Risk Mitigation of Non-Electronic Transactions		
July 2008 Letter	October 2008 Letter	Explanation
Positive affirmation of economic trade details to occur by T+5 for non-electronically eligible confirmations and by T+8 for electronically eligible confirmations that have not been confirmed by T+5	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	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		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	By 30 September 2009, a target architecture for life cycle event processing will be defined	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.
	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	
	By 30 June 2009, commitment to present a plan for the implementation of a warehouse to centrally store records of OTC equity derivative transactions	

Central Settlement		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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	

Interest Rate Derivative Market

Electronic Processing to Support Trade Date Confirmation		
July 2008 Letter	October 2008 Letter	Explanation
By 31 January 2009, 75% of electronically eligible trades will be processed on an electronic confirmation platform.	Commitment Continues	
No Commitment	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	
	By 31 December 2008, Major Dealers commit that their integration to MarkitWire does not inhibit double-sided trades and therefore electronic confirmation	Electronification 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 MarkitWire by existing participants and address missed opportunities that lead to a paper confirmation.
	All Brokers to be able to process every MarkitWire trade double-sided by 31 March 2009.	
	Commitment to identify solutions and agree on an efficient interoperable industry model for communicating trade allocation details by 31 January 2009	
	Commitment to launch an interoperable model for communicating trade allocation details by 31 July 2009	This practice would assure that both dealers and buy-side firms credit trades to the appropriate legal entities in a timely manner and would support the strategic goal of trade date confirmation.
	By 30 November 2009, all trade allocations are to be received electronically using an industry accepted tool	
	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.	This is a critical element to driving automation and ultimately trade date confirmation.

	<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>This commitment expedites participant's implementation of electronic confirmation on electronic platforms.</p>
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Confirmation Backlog Reduction		
July 2008 Letter	October 2008 Letter	Explanation
<p>By 30 September 2008, aged confirmations cannot exceed 2 business days of trading volume</p>	<p>Commitment Continues</p>	<p>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.</p>

Risk Mitigation of Non-Electronic Transactions		
July 2008 Letter	October 2008 Letter	Explanation
<p>Positive affirmation of economic trade details to occur by T+5 business days for all unconfirmed trades</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>
<p>No Commitment</p>	<p>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</p>	<p>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.</p>
	<p>Commitment to define a process by 28 February 2009 that will highlight opportunities for onboarding new products onto available electronic confirmation platforms</p>	<p>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.</p>
	<p>Commitment to review by 31 December 2008, the previously published ISDA Best Practice Guidelines on affirmation and confirmation dispatch and recommend updates to ensure the Guidelines represent current industry commitments, with adherence to these updated Best Practice Guidelines committed from 31 March 2009</p>	<p>The ISDA Best Practice Guidelines will be reviewed and updated to reflect new commitments being made, including affirmation and confirmation dispatch.</p>

Trade Compression		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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 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	

Life Cycle Event Processing		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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	
	By 30 November 2009, all novation consents are to be received electronically using an industry accepted tool	
	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	

Central Settlement		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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>Implementing pre-value date affirmation of settlements and multilateral net settlement will improve the current settlements process by reducing the likelihood of settlement fails and number of actual payments made between counterparties.</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		
July 2008 Letter	October 2008 Letter	Explanation
No commitment	<p>Commitment to the continued use of central counterparty clearing by subscribed users of LCH.Clearnet's SwapClear service</p> <p>OTCDerivNet commit to present a detailed 2009 delivery schedule for SwapClear to the Operations Management Group (OMG) by 30 November 2008</p>	<p>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>

Commodities Market

Electronic Processing to Support Trade Date Confirmation		
July 2008 Letter	October 2008 Letter	Explanation
By 31 July 2008, performance metrics to be reported to supervisors on a monthly basis	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	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 October 2008, Major Dealers to provide supervisors with an electronic matching target	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	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 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	
Documentation standardisation to be promoted through ISDA and LEAP projects	Commitment Continues	OTC derivatives contracts require substantial legal documentation, standardised by such industry groups as ISDA and LEAP. Standardisation of documentation is a prerequisite for electronic processing.

Risk Mitigation of Non-Electronic Transactions		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	Commitment to work with ISDA and LEAP to create and publish version 1.0 of the Commodities Documentation Matrix	OTC derivatives contracts require substantial legal documentation, standardised by such industry groups as ISDA and LEAP. This matrix will cover 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	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.
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Trade Compression		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	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	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.
	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	
	By 30 June 2009, commitment to produce a generic white paper outlining industry requirements for commodities settlement matching which can be utilised by various service providers to shape their solutions	

Foreign Exchange / Currency Derivatives Market

Electronic Processing to Support Trade Date Confirmation		
July 2008 Letter	October 2008 Letter	Explanation
By 31 December 2008, commence reporting performance metrics to the Supervisors on a quarterly basis	Commitment Continues PLUS introduction of monthly metrics reporting from 31 July 2009	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.
No Commitment	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	<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 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	
	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	
	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	
	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	

	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 standardised non-deliverable currency pairs	Standardisation 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	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		
July 2008 Letter	October 2008 Letter	Explanation
No commitment	By 31 December 2010, Major Dealers commit to work with ISDA to increase the number of standardised 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.	OTC derivatives contracts require substantial legal documentation, standardised by such industry groups as ISDA. Document standardisation is necessary to enable these products to become electronically eligible.
	Ongoing commitment to standardise paper contracts and create more robust best practices around manual processing of complex exotics.	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.

Collateral Management Practices

Portfolio Reconciliation		
July 2008 Letter	October 2008 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	Commitment Continues	<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>
No Commitment	<p>By 31 December 2008, Major Dealers commit to identify follow-on targets for portfolio reconciliation to be pursued in 2009</p> <p>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.</p>	

Margin Dispute Resolution		
July 2008 Letter	October 2008 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	Commitment Continues	<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>

Collateral Management Roadmap		
July 2008 Letter	October 2008 Letter	Explanation
No Commitment	ISDA commits to publish a Roadmap for Collateral Management during May 2009	ISDA will work 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 will be presented in roadmap that will contain specific implementation steps and timeframes for proposed actions in 2009 and a more general framework for action beyond.
	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.	Establishing these forums will 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.