March 31, 2011

Identical versions of this letter have been addressed directly to the heads of the primary supervisory agency of each of the regulated signatories.

The Honorable William C. Dudley
President
Federal Reserve Bank of New York
33 Liberty Street, 10F
New York, NY 10045

Dear Mr. Dudley,

The undersigned dealers (each, a "G14 Member") and buy-side institutions, (collectively, the "Signatories") remain committed to work collaboratively with central counterparties, infrastructure providers and global supervisors to continue to make structural improvements to the global over-the-counter (OTC) derivatives markets[1]. Acknowledging the importance of these markets and recognizing the need to further enhance the framework for OTC derivatives risk management and market structure, we continue to engage in setting forth a comprehensive and strategic roadmap of initiatives and commitments to the Supervisors of the OTC Derivatives Supervisors Group ("ODSG") listed below[2]. This roadmap builds upon the significant collective accomplishments we have made pursuant to the series of seven commitment letters written since 2005. This broadly-based and inclusive collaborative framework has provided the basis for a substantial degree of interaction between Supervisors and Signatories in bringing about meaningful improvements to a globally important market.

In accordance with G-20 objectives and in an effort to support pending regulatory reforms in various jurisdictions, we have developed a roadmap of continuing improvements which we present in this letter. These initiatives and commitments build upon supervisory and regulatory priorities set forth in previous letters in the areas of standardization, central clearing, bilateral risk management, and transparency, and attempt to harmonize these goals with existing regulatory proposals. We re-affirm our prior commitments and hereby frame commitments which highlight key milestones necessary to meet these supervisory and regulatory priorities in a timely fashion.

We acknowledge that a certain level of standardization is required to lay the groundwork for a range of risk reducing and efficiency benefits, such as more automated processing, expanded central clearing, and enhanced transparency. Therefore the standardization related commitments are an integral part of moving this process forward. We will achieve these benefits by providing Supervisors with ongoing qualitative and quantitative indicators to inform supervisory and regulatory priorities as well as our future work.

[1] The commitments or undertakings described throughout this letter are made by the Signatory firms and are subject to the applicable fiduciary responsibilities, if any, of those Signatory firms, including any and all client-specific duties, obligations and instructions. These commitments are not binding on non-signatories (including individual members of those trade associations that have signed this letter). The trade associations that have signed this letter advocate for the structural improvements described in the letter and commit to inform their members on the commitments and undertakings described in the letter, as appropriate.

[2] The Supervisors include the Board of Governors of the Federal Reserve System, Commodity Futures Trading Commission, Connecticut State Banking Department, Federal Deposit Insurance Corporation, Federal Reserve Bank of New York, Federal Reserve Bank of Richmond, French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel* - ACP), German Federal Financial Supervisory Authority, Japan Financial Services Agency, New York State Banking Department, Office of the Comptroller of the Currency, Securities and Exchange Commission, Swiss Financial Market Supervisory Authority, and United Kingdom Financial Services Authority. Additionally, the contributions of the Bank of England and the European Central Bank in certain areas covered by this letter are gratefully acknowledged.

As we move forward, we believe that it is important to identify several elements that will be determining factors in the ability to deliver on commitments in the time frames indicated:

- Our ability (including central counterparties and infrastructure providers) to deliver on the commitments in this letter will be facilitated to the extent that regulatory requirements and the commitments in this letter are consistent. A significant lack of consistency potentially risks inefficient resource-allocation and may incur operational risk. If inconsistencies arise, the Signatories and Supervisors will revise the commitments as appropriate.
- International regulatory coordination is essential. We appreciate the continuing efforts of the ODSG in providing leadership in this regard.
- Further achievement in standardization, clearing and data reporting will be increasingly dependent upon the efforts of other stakeholders, such as end users, central counterparties and trade repositories. We will work closely with those stakeholders to deliver on the commitments in this letter, but we also encourage Supervisors to bring those stakeholders more actively into this collaborative process.
- The time frames in this letter adopt a phased-in approach reflecting a sequencing of key building blocks by asset class. We are mindful that delivering these milestones and complying with existing or pending regulatory requirements must be balanced with the potential for operational risk and market disruption if implementation were to proceed at an unrealistic, expedited pace. Close, ongoing interaction with supervisors and a flexible approach to implementation will be most effective in minimizing these risks.
- The Signatories recognize that they have increasing dependence on the engagement of non-Signatory, non-bank providers in the wider community to deliver the benefits of Straight Through Processing and transparency.

Our primary objective is to enhance the core OTC derivatives market function of risk management, while retaining the appropriate levels of flexibility, as needed, for the respective products, processes and means of execution. The attached Annexes highlight recent achievements and shortfalls in meeting commitments, and, in Annex A, set forth the industry's roadmap, which articulates four high-level objectives, initiatives intended to fulfill those objectives, and commitments designed to advance their respective initiatives. Signatories and Supervisors agree that a substantial number of prior commitments have been met and "retired" as such. A list of these satisfied commitments is available upon request.

This roadmap further evidences progress, and reflects the significant investment of resources and capital that we continue to make to ensure a resilient and robust OTC derivatives markets infrastructure. We acknowledge that some of our objectives are complex and require not only global coordination within firms, but also, crucially, active collaboration among firms and amongst infrastructure service providers. We are acutely aware of the limited amount of skilled resources available in the industry to support multiple concurrent initiatives and have prioritized the respective milestones with this in mind. We believe that this roadmap and its phased-in implementation schedule set forth herein provide a detailed strategy to push toward further structural improvements.

As OTC derivatives market reforms progress in various jurisdictions, we will work with the Supervisors to ensure the roadmap and deliverables remain appropriate and relevant. We consider that a measured, phased implementation of new, global derivatives product and market regulation will be fundamental to ensure that financial and commercial companies retain access to a liquid, cost-efficient and well-functioning market for these risk management tools.

As part of this collaborative process, we will continue to engage in close, cooperative dialogue with Supervisors regarding approaches, sequencing, and schedules for the various initiatives and commitments described in this roadmap. We appreciate the significant work that lies ahead, and commit to pursue improvements along four overarching themes: Standardization, Central Clearing, Bilateral Risk Management and Transparency and Reporting.

We look forward to our continued collaboration and dialogue with the Supervisors as we drive forward with these fundamental initiatives.

From the Managements of:

AllianceBernstein
Bank of America-Merrill Lynch
Barclays Capital
Blackrock, Inc.
BlueMountain Capital Management LLC
BNP Paribas
Citadel LLC
Citi
Credit Suisse
Deutsche Bank AG
D.E. Shaw & Co., L.P.
DW Investment Management LP
Goldman, Sachs & Co.
Goldman Sachs Asset Management, L.P.
HSBC Group
International Swaps and Derivatives Association, Inc.
J.P. Morgan
Managed Funds Association
Morgan Stanley
Pacific Investment Management Company, LLC
The Royal Bank of Scotland Group
Asset Management Group of the Securities Industry and Financial Markets Association
Société Générale
UBS AG
Wells Fargo Bank, N.A.
Wellington Management Company, LLP

Identical versions of this letter have been addressed directly to the heads of the primary supervisory agency (each, a Supervisor) of each of the regulated signatories, including:

Board of Governors of the Federal Reserve System
Commodity Futures Trading Commission
Connecticut State Banking Department
Federal Deposit Insurance Corporation
Federal Reserve Bank of New York
Federal Reserve Bank of Richmond
French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel* - ACP)
German Federal Financial Supervisory Authority
Japan Financial Services Agency
New York State Banking Department
Office of the Comptroller of the Currency
Securities and Exchange Commission
Swiss Financial Market Supervisory Authority
United Kingdom Financial Services Authority

CC:
Bank of England
Committee on Payment and Settlement Systems
European Commission

European Central Bank
European Securities Markets Authority
Financial Stability Board
International Organization of Securities Commissions

Annex A – Roadmap of Industry Initiatives and Commitments

Objectives and Approach

The overarching goal of this roadmap is to lay out, in a systematic fashion, the collective and coordinated actions to be taken by the Signatories to this letter in order to build upon the significant improvements we have made to the OTC derivatives market infrastructure over the past six years. In support of the global policy objectives promulgated by the G20, we aim to further increase efficiency and reduce risk for as wide a range of market participants as possible by continuing to make improvements to the OTC derivatives market infrastructure along four broad, thematic objectives:

Objective 1: Increasing Standardization

Develop the foundation for implementing market reforms: Further OTC derivatives product and process standardization will lay the groundwork for a range of risk reducing and efficiency benefits, including more automated processing, expanded central clearing, and enhanced transparency.

Objective 2: Expanding Central Clearing

Create a safe and sound central clearing environment: In order to expand central clearing in a safe and sound manner, the Signatories will employ a coordinated, phased-in approach to centrally clear more transactions in eligible products, expand central clearing product offerings, and to work toward supporting a central clearing environment that can feasibly extend the risk reducing and efficiency benefits of central clearing to a wider range of market participants.

Objective 3: Enhancing Bilateral Risk Management

Mitigate the risks of uncleared transactions: For the population of bilaterally managed OTC derivatives portfolios, the Signatories will continue to adopt and improve robust bilateral risk management practices, including the implementation of standardized methods for reconciling portfolios and resolving disputed margin calls.

Objective 4: Increasing Transparency

Design and implement data infrastructure to meet regulatory and industry needs: A robust data infrastructure serving the OTC derivatives markets, including trade repositories, will provide critical tools to support Supervisors in carrying out their responsibilities and should also provide operational benefits to market participants.

To achieve each of these roadmap objectives, the Signatories commit to work collectively and individually with the Supervisors in order to effect timely but prudent implementation of improvements, as well as to transition certain baseline levels of performance to a "steady state" where significant progress has been achieved. Where the Signatories have not yet achieved a “steady state” level of performance, the Signatories have identified where opportunities for improvements remain. To this end, we continue to organize our work into a number of key initiatives and in each we have outlined commitments necessary to advance these initiatives. For “steady-state” measures, the Signatories commit to maintaining present performance levels as appropriate.

Objective 1: Increasing Standardization

The Signatories will continue to build the foundation for implementing market reforms through further OTC derivatives product, process and legal standardization[3]. By continuing to drive a high level of product and processing standardization in each asset class we seek to secure operational efficiencies, mitigate operational risk and increase the netting and central clearing potential for the appropriate products. These improvements lay the groundwork for a range of risk reducing and efficiency benefits, including more automated processing, expanded central clearing, and enhanced transparency.

We aim to achieve our objectives through three core initiatives. First, we will develop ongoing analyses for the purposes of benchmarking the level of standardization in each asset class. We will employ this benchmarking and analysis, not only to provide greater transparency to Supervisors, but also to inform the prioritization and planning for our ongoing initiatives to improve product and process standardization in each asset class.

Initiative 1: Standardization benchmarking and analysis

The Signatories will work with Supervisors to develop, for each asset class, a Standardization Matrix that will be used to provide qualitative and quantitative indicators of industry progress and to provide guides for the prioritization of industry efforts. Each of the five Standardization Matrices will comprise rows for categorizing appropriate groups of products in the respective asset class and columns for categorizing the key functional areas pertinent to product and process standardization. Where appropriate and practicable, the Standardization Matrices will provide quantitative stock (status) and more importantly flow (activity) data by product group mapped against functional area. Although the Standardization Matrix for each asset class necessarily differs in product groupings, to ensure consistency and accuracy of the reporting, the Signatories will work with the five asset classes and with Supervisors to define the terms employed. In addition, each Standardization Matrix will be accompanied, where agreed, by a Standardization Narrative that will document relevant terms and concepts. We note that three asset classes (credit, equity, and interest rates) have developed Standardization Matrices in accordance with a 2010 industry commitment, and that the maturity of trade repository infrastructure differs per asset class, which will be leveraged for *Commitment 1* below. Accordingly, the commitments supporting this initiative will differ per asset class.

The respective Steering Committees for the credit, interest rates and equity derivatives asset classes commit to work together and with Supervisors to develop the existing Standardization Matrices to support consistent and accurate reporting of progress in product and process standardization. Where appropriate and practicable, the subgroups will leverage the categorizations and tags available in existing trade repository infrastructure and the capability will be extended as the richness and quality of the data in these repositories are enhanced over time. Initially, these will be produced within a timeframe specific to each asset class. The respective Steering Committees for the commodity and foreign exchange derivatives asset classes commit to work closely together and with Supervisors to develop the initial Standardization Matrices and reporting regimes in line with those instituted for the other three asset classes.

[3] The Signatories will continue to build the foundation for implementing market reforms through further OTC derivatives product and process standardization in line with G20 recommendations. By continuing to drive a high level of product and processing standardization in each asset class, we seek to secure operational efficiencies, mitigate operational risk and increase the netting and central clearing potential for the appropriate products. These improvements lay the groundwork for a range of risk reducing and efficiency benefits, including more automated processing, expanded central clearing, and enhanced transparency.

Commitment 1: Enhance the credit, interest rates, and equity derivatives Standardization Matrices and Narratives and institute regular reporting

By April 30, 2011, the Signatories will agree the structure of the Standardization Matrix and outline of the Standardization Narrative for each asset class. The structure will specify the row-wise product groupings, the column-wise functional areas, and the basic form and content of the qualitative or quantitative data to be reported.

By June 30, 2011, the Signatories will agree to the definitions and reporting arrangements required to populate the Standardization Matrices.

By September 30, 2011, the Signatories will deliver to supervisors the enhanced and fully populated Standardization Matrices and Narratives.

The Signatories will also work with the Supervisors to define, by asset class, an ongoing reporting schedule.

Commitment 2: Develop Standardization Matrices and Narratives for commodity and foreign exchange derivatives

By June 30, 2011, the Signatories will work as part of the Commodities Steering Committee ("COSC") to agree (i) the structure of an initial version of the Standardization Matrix for the commodity derivatives asset class and (ii) an outline of the Standardization Narrative.

After delivering the initial matrix proposal, the Commodities Major Dealers ("CMD") and COSC will meet with Supervisors to review and agree next steps, including definitions and reporting arrangements required to populate the Standardization Matrix and delivery of the fully populated Matrix and Narrative to Supervisors.

By June 30, 2011, the undersigned Foreign Exchange/Currency Derivatives Major Dealers ("FXMD") will agree (i) the structure of an initial version of the Standardization Matrix[4,5], (ii) an outline of the Standardization Narrative and (iii) a plan and timeline for accomplishing the following remaining milestones:

- Agree the definitions and reporting arrangements required to populate the Standardization Matrix.
- Deliver to Supervisors the fully populated Standardization Matrix and Narrative.

After delivering the matrix and narrative, the FXMD and CMD will meet with Supervisors to define an ongoing reporting schedule.

[4] The Standardization Matrix will identify products that require (i) standardized templates and terms and (ii) implementation onto industry standard affirmation/matching platforms

[5] Based on volume metrics reported to Supervisors by the FXMD for trades executed by and among themselves, 95% of FX Derivative trading volume is already standardized. The remaining percentage is made up of bespoke Simple and Complex Exotic instruments. The FXMD will establish a priority for standardizing these bespoke trades in the matrix pursuant to the gap analysis but, given many of these products are only traded under certain market conditions; prioritization will need to be flexible given constantly adjusting market conditions and the potential for significant other developments on these platforms to comply with regulatory developments. Furthermore, moving instruments onto these platforms can only be accomplished by continued work with the Financial Markets Lawyers Group ("FMLG") and ISDA.

Initiative 2: Product standardization

The Signatories commit to continuing the on-going work in standardizing products in each asset class. The work includes the development, publication, and take-up of standardized product documentation. As the Standardization Matrices and associated reporting become available, we commit to leveraging the data to prioritise our work and identify opportunities for future product standardization.

To advance the initiative, for each asset class, the Signatories make the following specific product standardization commitments:

Commodity Derivatives

Execution/take-up of standard documentation:
The CMD continues to partner with ISDA to summarize inter-CMD documentation baseline metrics to track documentation take-up rates in a Self-Assessment Template ("Self-Assessment Template"). In line with this initiative, the COSC commits to extend the documentation baseline metrics to track documentation take-up rates for interested participants in a similar Self-Assessment Template of G14 Members vs. non-G14 Members; a COSC meeting will be held to formalize the process by May 15, 2011 and a pilot will be conducted by June 30, 2011.

Equity Derivatives

The 2011 Equity Derivatives Definitions (the "2011 EDDs") will be published on May 31, 2011 and will provide the industry with an updated toolkit of common terms which takes into account an increased universe of product types that have developed since 2002, including 47 ISDA published, product annexes.

The 2011 EDDs will enable us to document commonly traded products using standardized contractual language through the use of ISDA published matrices thereby (i) increasing the population of electronically eligible transactions and (ii) facilitating matrix development for transactions not currently subject to Master Confirmation Agreements ("MCA"). The 2011 EDDs will be structured in such a way to allow for periodic updating and will comprise of a main book and an appendix. Additionally we will continue to add via Supplement, additional product features to the appendix to allow further product definition standardization.

The 2011 EDDs will be used to increase standardization through the development of ISDA transaction matrices. The Signatories agree to deliver two transaction matrices by July 31, 2011, focusing on long established and frequently traded products for the initial two matrices. Once a product has been identified as a target for development of a transaction matrix, a Matrix Working Group will focus on agreeing industry standard elections for necessary transaction fields. The group will focus on maximizing consistent industry wide elections while allowing for necessary trade mechanic or bilateral variations to be documented on a Transaction Supplement, additional Matrix and/or Matrix Support Agreement basis. In contrast to the existing MCA creation process, the ISDA transaction matrix creation process will provide ISDA standard elections utilizing already published contractual language.

By October 31, 2011, the Equity Steering Committee ("ESC") commits to providing Supervisors with a plan detailing the products that will be targeted for Matrix development over the immediately following 3 months, and further commits to deliver similar plans on a quarterly basis. The products identified in each plan will be based on analysis of the G14 Members' quarterly non-electronically eligible volume metrics over the preceding two quarters, and of products that are currently electronically eligible with a large trading volume where client on-boarding would be enhanced with

matrix creation. In addition, the strategy will be informed by experience in initial and on-going matrix building exercises.

Upon publication of a matrix and the applicable product being supported on an electronic platform, the product will be deemed electronically eligible for purposes of reporting operation efficiency targets after 90 days. It is expected that as the industry and vendors become more familiar with the new documentation structure implementation, times can be accelerated and the Signatories will work with the Supervisors to define an appropriate timeline.

Initiative 3: Process standardization

The Signatories commit to continuing to work with CCPs, trade repositories and other infrastructure providers to standardize processes in each asset class. The work includes the design, implementation, and take-up of automated processes and electronic platforms for key business functions including: matching and confirmation, affirmation, managing lifecycle events, and the calculation and effecting of settlements. We note that progress in process standardization is highly dependent upon (i) progress in product standardization and (ii) CCPs and other infrastructure service providers working with the Signatories to standardize their processes.

In order to measure progress in this work, we will continue to provide performance metrics reporting to Supervisors, and where appropriate, performance benchmark targets. Because each asset class faces a distinct set of challenges and because the infrastructure in each asset class are at varying stages of development, metrics and targets will necessarily differ both across and within asset classes.

In particular, we note that there has been significant progress in standardizing processes and increasing automation in a number of contexts. In a number of cases, the Signatories have achieved a "steady state" level of performance, while in others there remain opportunities for collective improvements, which are outlined below as commitments. For "steady-state" measures, the Signatories commit to maintaining present performance levels as appropriate.

As the Standardization Matrices and associated reporting become available, the Signatories commit to leveraging the data to prioritise our work and identify opportunities for future process standardization.

To advance this initiative, the Signatories make the following specific process standardization commitments. Where barriers to achieving further progress exist, we have highlighted the obstacles and have developed corresponding plans for addressing them.

Commitment 1: Increase the OTC Commodity Derivatives metrics participation

Metrics Reporting:
To provide Supervisors with additional OTC Commodity Derivative market data, the COSC, leveraging the existing CMD metrics process, commit to increase the OTC Commodity Derivatives metrics participation through a broader set of non-G14 Members, non-Signatories and members of the COSC through 2011. The COSC commit to set-up a working group to discuss the metrics process and pilot an initial COSC related metrics process for interested participants by June 30, 2011.

The CMD commit to defining new targets for electronic confirmation matching, of energy and metals by June 30, 2011[6]. We commit to analyse the individual CMD data in an effort to move to firm-specific targets.

Commitment 2: Automate Recovery Lock Transactions

Recovery Lock Transactions: The Credit Implementation Group ("CIG") commits to working with service providers to successfully release electronic confirmations, novation, and post trade processing for Recovery Lock Transactions, targeted for roll-out in Q2 2011.

Commitment 3: Further Improve Equity Derivative Operational Performance Targets

- By September 30, 2011, we commit to processing 85% of Electronically Eligible Confirmations on an electronic platform.

- By November 30, 2011, the G14 Members commit to 95% T+1 submission for G14 Members versus all counterparties for Electronically Eligible Confirmations processed on an electronic platform.

- By November 30, 2011, the G14 Members commit to 95% T+4 matching for G14 Members versus all counterparties for Electronically Eligible Confirmations processed on an electronic platform. In January 2012, the G14 Members will review the state of progress on the matching infrastructure and outline a plan for moving to T+3. In addition the G14 Members will provide quarterly updates on our progress regarding development of confirmation processing infrastructure commencing September 30, 2011.

Platform Convergence and Trade Lifecycle Event Processing:
The Signatories will adopt a phased implementation to improving post trade processing enabling us to build an efficient and robust market infrastructure for OTC Equity Derivatives and meet confirmation and regulatory reporting requirements. The ESC has identified the following phases in order of priority; however, exact timeframes will be dependent on vendor capabilities. Phases are highlighted as follows:

a) Electronic confirmation processing platforms to build links with trade repositories to exchange all matched economic fields and automate processing of trade life cycle events for Option transactions – phased implementation per Option category (i.e. Index, Single Stock, Variance).
b) Enhance electronic confirmation platforms to support Equity Swap products for both full confirmation and trade life cycle event processing and ensure links with Trade Repositories remain viable.
c) Identify and build processing mechanisms to support automated delivery of paper confirmed population trade economics to trade repositories.

The end goal is to develop one central store of data for all OTC Equity Derivative product types and trade life cycle events to be used for trade repositories for all reporting requirements.

The Signatories will continue to work with vendors to develop the phases and specific milestones and commit to providing a detailed implementation plan with key milestones by June 30, 2011.

[6] Current inter-CMD targets are 90% for energy and 85% for metals.

Equity Determinations Committee:
The ESC continues to support the development of an Equity Determinations Committee structure ("EDC"). We commit to the publication of a set of rules for creation of an EDC for market disruption event determinations for variance swaps with supporting ISDA publications (Matrix or MCA) by March 31, 2012. The EDC structure will be implemented 90 days after publication of the rules. We agree to provide the supervisors quarterly updates starting at June 30, 2011 on the status of the project prior to the March 31, 2012 publication date.

Commitment 4: Further Improve Interest Rate Derivative Operational Performance Targets

Interest Rate Derivatives

The likely proliferation of matching/affirmation services and/or direct feeds from organized trading platforms to CCPs will revise the landscape away from a smaller number of industry service providers. It is possible that this more open approach may temporarily slow the adoption of higher affirmation/confirmation rates in the client space.

Electronic Confirmation Targets:
- 95% of electronically eligible confirmable events with G14 Members are processed on electronic platforms. As this was just implemented in December 2010, we propose retaining this metric as is. Barriers preventing increasing beyond this level include post-trade events that aren't able to be processed on existing platforms without backloading the original trade plus not all major market participants being live for all currencies and products

- By September 30, 2011, 75% of electronically eligible confirmable events with all other participants will be processed on electronic platforms.

- The Signatories commit to confirming all electronically eligible events within 90 days of the functionality being available on the middleware platforms utilized where they are trading more than 5 eligible trades/month based on three-month average and beginning in June 2011, and will report participants who have not met this criteria to Supervisors.

Submission Timeliness/Matching:
We commit to the following targets:

For improved granularity and focus on getting to a steady state for Trade Date submission and matching, metrics will be broken down into G14 Members v G14 Members and G14 Members v Other Clients.

- By June 30, 2011, submit 95% of electronic confirmations between G14 Members and 80% of electronic confirmation with other clients on Trade Date.

- By June 30, 2011, match 98% of electronic confirmations between G14 Members and 90% of electronic confirmations with other clients by T+2.

Objective 2: Expanding Central Clearing

The Signatories continue to embrace the G-20 objectives for expanding central clearing by employing safe and sound methods. In support of this goal, we will employ a phased-in approach to extend the scope of central clearing in several respects. First, Signatories will continue to make progress in centrally clearing more transactions that are currently eligible. Second, Signatories will work with central clearing platforms to bring greater transparency to methodologies to evaluate candidate products and plans for expanded central clearing offerings. Third, Signatories will work with central clearing platforms and Supervisors to identify and resolve the key impediments and challenges to developing central clearing arrangements that will feasibly extend access to all eligible market participants. The initiatives and commitments we outline below aim to establish processes and produce information that will be useful for market participants and public authorities as they implement relevant regulatory requirements for central clearing of OTC derivatives transactions.

Initiative 1: Expand central clearing in currently eligible transactions

As mandatory central clearing requirements are established in various jurisdictions, members of central clearing platforms must ensure that these requirements are met in a safe and sound manner. The commitments supporting this initiative aim to: (i) increase the clearing of currently eligible transactions in support of pending regulatory requirements; and (ii) to ensure supervisors are well informed with respect to the progress of market participants in adapting their operations and risk management policies and processes to achieve increased levels of central clearing.

Commitment 1: Provide supervisors with individual firm plans for meeting central clearing requirements

The G14 Members commit to share their current state of planning for complying with statutory clearing requirements by April 30, 2011 and then on a regular basis with their primary Supervisors, outlining steps, milestones, and potential contingencies and solutions to achieving the requirements.

Commitment 2: Performance Targets for the Submission and Clearing of Eligible Trades

a) Submission Targets[7,8]

Interest Rate Derivatives

Each G14 Member (individually) commits to an enhanced submission rate of 95% of new Eligible Trades for clearing (calculated on the basis of previously agreed methodology) for clearing by June 30, 2011.

[7] "Eligible Trade" is defined in our prior commitment letter dated September 8, 2009.

[8] An example of why a dealer would want to exclude an Eligible Trade from clearing for counterparty risk management purposes would be where such dealer faces a counterparty bilaterally on two trades which offset each other from a net exposure perspective, but where only one trade is an Eligible Trade. Moving the Eligible Trade to a CCP could immediately create a large uncollateralized payable from the counterparty to the dealer with respect to the uncleared (ineligible) trade, thereby increasing counterparty risk. In addition, even where the counterparty posted collateral with respect to such payable within the prescribed timeframe, the lack of the offsetting trade facing the counterparty would increase the dealer's jump to default risk with respect to such counterparty. This problem is magnified considerably where the analysis above is applied on a multi billion dollar OTC derivatives portfolio. With respect to accounting, regulatory capital and balance sheet issues, an example of why a dealer would want to exclude an Eligible Trade from clearing would be where the dealer is hedging an outstanding loan position with the Eligible Trade. The automatic compression that results from trades placed in clearing could effectively "remove" the matched offsetting CDS hedge from the dealer's book. Since the outstanding loan is no longer "paired" with an identifiable hedge (notwithstanding that the dealer's risk position has not changed), the hedge accounting treatment of the loan could be impacted and the dealer could incur increased regulatory capital charges and detrimental balance sheet treatment.

b) Clearing Targets

Interest Rate Derivatives

The G14 Members (collectively) commit to continued clearing of 92% of new Eligible Trades (calculated on the basis of a group target) by June 30, 2011.

Initiative 2: Increase transparency in processes related to the expansion of central clearing offerings

As mandatory central clearing requirements are established across jurisdictions, there will be a need for regulators to understand thoroughly the risk considerations taken into account by central clearing platforms and market participants related to the roll-out and support of new products and features. In order to provide greater transparency in this regard to Supervisors, the Signatories commit to work with central clearing platforms (and each relevant CCPs buy-side working group) in the central clearing platforms' efforts to provide detailed information on the methodologies and data employed by the central clearing platforms to evaluate the suitability of a given product for central clearing. Signatories also commit to urge central clearing platforms to provide to Supervisors regularly updated plans and schedules for the roll-out of new products and features.

Commitment 1: Work with central clearing platforms to provide information to Supervisors on methodologies for evaluating candidate products for expanded central clearing offerings and information on the evaluation of products under review

Using the Standardization matrix data produced by each asset class, the Signatories will identify those products that remain uncleared which represent a material proportion of the market. The Signatories will commit to initiating discussions with relevant CCPs to assess the suitability for clearing of these products, prioritizing these products for analysis commensurate with their level of risk by Q3 2011.

Where a CCP has (i) significant market participant (both buy and sell side) support and (ii) a commitment to develop viable direct and indirect buy-side clearing models, in the appropriate jurisdictions in the credit and the interest rates markets, the Signatories will provide support to the CCPs in their efforts to:

a) Provide enhanced transparency to Supervisors into the process by which new products/features/underliers are assessed for clearing feasibility. Deliverables for CCPs will be completed to a schedule to be agreed amongst Signatories, relevant CCPs and Supervisors. CCPs will be encouraged to deliver:
   i. Documentation explaining the CCP's policies and procedures to assess clearing eligibility;
   ii. Case study examples of products which have previously been assessed; and
   iii. Representatives to meet with Signatories and Supervisors to discuss such processes in a continuous, collaborative process among participants, CCPs and Supervisors.

b) Maintain a Product Pipeline tracking the status of potential future products/features/underliers for regular review and discussion with the global Supervisors.

Commitment 2: Provide regularly updated plans and timeframes for roll-out of products and features for central clearing platforms

Decisions to clear new products are made by each CCP in accordance with their rules, risk parameters and statutory/regulatory requirements. Specific timeframes for implementation of these products is under review by the relevant CCPs. The Signatories will work together with the CCPs and Supervisors to deliver the schedule to the Supervisors.

Credit Derivatives

We will work with CCPs to prioritise the following products/features onto one or more credit derivatives CCP:
- Commencement of single name Sovereigns
- Additional single names
- Additional indices

Interest Rate Derivatives

We will work with CCPs to prioritise the following products/features onto one or more interest rates CCPs:
- FRAs
- amortising swaps
- 3 new currencies (HUF, CZK and SGD)

The following products have been identified from the standardization matrix as sufficiently active in the marketplace to merit assessment for clearing potential. Each of these will be evaluated for suitability for clearing but these products must support the requisite level of price transparency and liquidity, plus the CCP must be able to demonstrate suitably enhanced financial safeguards and default management capabilities to support clearing of these products:
- cross-currency swaps
- caps/floors
- European swaptions
- inflation swaps

Commitment 3: Work with trade data repositories to provide notional and trade count reporting for credit and interest rate derivatives transactions in products that are supported on central clearing platforms but are not "Eligible Transactions" for the purposes of performance targets in submission and clearing.

Credit Derivatives

For credit derivatives, the Signatories will work with the Supervisors and DTCC to create the appropriate reports that extract the needed information from the Trade Information Warehouse. These reports will enable the Supervisors to extract this information on an on-going basis. DTCC will deliver the initial report by June 30, 2011.

Interest Rate Derivatives

The Signatories commit to add additional reporting to the monthly notional report provided to the regulators to identify trades that are eligible based on product, but where clients are not live on a CCP. This additional reporting will commence month ending June 30, 2011.

Initiative 3: Key issues and challenges pertaining to access to CCPs

As G-20 objectives for central clearing of all standardized transactions necessitates progress in expanding access to a wider range of market participants, the Signatories commit to work collaboratively with central clearing platforms and Supervisors to conduct and document focused discussions on the various options and models for feasibly extending the benefits of central clearing to a wider range of participants.

The pertinent issues are logically divisible into two sets: issues around the adoption of central clearing by end-user clients of direct clearing members (issues of "indirect access") and issues around the adaptation of current central clearing models to facilitate direct participation for a wider range of participants (issues of "direct access"). To promote greater clarity in both sets of issues, the Signatories commit to participating with the Supervisors and the relevant central clearing platforms in a series of focused discussions on the key issues/obstacles to expansion of central clearing, including those set forth below. The Signatories commit to establishing a draft prioritized schedule (including proposed sets of participants) of discussions separately for both indirect and direct access to Supervisors by April 30, 2011.

a) Issues of Indirect Access

Through the discussion process, the Signatories commit to working with the Supervisors to establish appropriate milestones for resolution of the issues discussed. The following challenges to improving adoption of end-user client clearing have been identified. These have been identified by working groups run by the CCPs specifically to identify barriers to enhanced clearing penetration. These issues are pertinent across both the credit and interest rate markets:

i. Finalization of legal documentation including:

   a. Final rules from each relevant authority, clearing house and trade group;

   b. Final standard form clearing agreement; and

   c. Final standard form execution/give-up agreement.

ii. Client onboarding (the education, set-up and maintenance of two layers of clients (including the underlying accounts of managers) following finalization of legal documentation in i);

iii. Treatment of Client Collateral (planned protection for client initial margin; cost and type of initial margin required);

iv. Risk issues associated with migration to central clearing (loss of netting across a split of portfolio, client backloading seeking to flatten exposures);

v. Treatment of trades which fail to clear (documentation requirements between executing broker, clearing member and client; timeliness of communication of failure to clear; procedures in the event of trade not clearing);

vi. Differences amongst CCPs in operations and operational requirements (compression requirements; margin requirement; cost of clearing; different product offerings; consistency in routing from different execution venues to clearing platforms);

vii. Buy-side investment for mandatory clearing (e.g. infrastructure development which must be flexible and scalable to evolving requirements); and

viii. Liquidity and price impact of increased transparency (increased cost of execution for buy-side given electronic platforms mandate and timely transaction level reporting requirements).

b) Issues of Direct Access

The Signatories commit to work with CCPs to develop membership criteria which supports open access for market participants on objective, non-discriminatory, risk-based principles, to support the implementation of G-20 clearing commitments. The criteria should comply with the CCP's risk management framework, CPSS-IOSCO guidelines and applicable regulatory requirements. The criteria should ensure each CCP's ability to monitor each members level of capital to ensure that it is commensurate with the level of risk that the clearing member is introducing into such CCP and also with the risk such clearing member is subjected to due to any mutualization among clearing members of the same CCP.

Initiative 4: Advance the discussion concerning CCP involvement in ISDA Credit Derivatives Determinations Committees

In order to better reflect the composition of the credit default swap ("CDS") market, the Signatories who are participants on the ISDA Credit Derivatives Determinations Committees (each, a "DC") proposed a framework to involve CDS central counterparties (each, a "CCP") in the DC process.

Commitment 1: By June 30, 2011, to make the necessary amendments to the DC Rules to permit observer status for CCPs that meet certain de minimis threshold conditions.

Commitment 2: To review the CCPs' status at a later date if requested by CCPs and subject to agreeing qualification standards and safeguards for the current voting structure, which has been demonstrated to work.

Objective 3: Enhancing Bilateral Risk Management

For the population of OTC derivatives portfolios that remains bilateral, the Signatories continue to adopt and improve robust bilateral risk management practices. The Signatories remain committed to enhance bilateral collateralisation arrangements to ensure robust risk management, including strong legal and market practices and operational frameworks. In particular, we continue the work on resolution procedures for variation margin disputes arising out of bilateral derivatives transactions. For 2011 we make the following specific commitments to the Supervisors:

Initiative 1: Dispute Resolution

Commitment 1: Publish and develop ISDA dispute resolution documentation

We commit to publish updated work-in-progress drafts of the ISDA Dispute Resolution Documents on ISDA's website (www.isda.org). A revised draft of the ISDA 2011 Convention on Portfolio Reconciliation and the Investigation of Disputed Margin Calls (the "Convention") will be released by April 7, 2011, with a revised draft of the ISDA 2011 Formal Market Polling Procedure (the "MPP", together the "ISDA Dispute Resolution Documents") to follow by April 26, 2011.

To gain experience and share the benefit of that experience with other market participants, we commit to trial the Convention and MPP for a three month period beginning May 4, 2011 and ending July 29, 2011 between G14 Members and other interested market participants on a bilateral basis. We commit to publish a revised draft of the ISDA Dispute Resolution Documents reflecting lessons learned in the trial period along with a phased implementation plan for industry adoption by September 9, 2011[9]. These implementation plans will incorporate, among other things, guidelines for firms to incorporate the Dispute Resolution procedures into their day-to-day operations against other Signatories, scenarios where jurisdictional requirements are more (and less) stringent than the planned procedures reference therein, and a time frame for adoption.

We have stated elsewhere, the general desire, which we are aware is shared by international Supervisors for globally consistent OTC derivative regulation. We advise that directionally consistent regulation is important in any activity that requires synchronised, real-time interaction between market participants, such as Dispute Resolution and Portfolio Reconciliation[10]. Moreover, absent the publication of final rules in applicable jurisdictions, international supervisory recognition of the ISDA Dispute Resolution Documents as an applicable method for resolving collateral disputes is a necessary pre-condition for wide implementation. We are committed to work with international Supervisors to ensure that emerging regulation and emerging documentation and best practices are well-coordinated towards this objective.

[9] Should any supervisor or regulator publish a rulemaking applicable to the resolution of collateral disputes prior to September 9, 2011 ISDA may defer the publication of the updated ISDA Dispute Resolution Documents and implementation plans until no later than September 9, 2011 or 90 days after any such final rulemaking date (which in this context means after all relevant regulatory rulemakings are known), whichever shall be later, in order to align the Convention and MPP with any relevant final rules. While we are committed to moving forward with implementation in the absence of consistent final rules across all relevant jurisdictions, international supervisory recognition of the ISDA Dispute Resolution Documents as a viable and suitable method for resolving collateral disputes is vital to broad acceptance and implementation by market participants.

[10] Past experience with portfolio reconciliation commitments regarding cross jurisdictional issues can provide valuable insight into the limitations of regulated firms' ability to effect desired supervisory behaviour of non-regulated firms. All firms must be operating according to a consistent set of regulatory requirements, otherwise (as has been observed) behaviours and the timing of actions become divergent and these activities can no longer be synchronized between the parties in real time.

Commitment 2: Enhance Reporting of Disputes

Effective as of March 31, 2011 reporting in April 2011, we commit to amend the threshold of dispute reporting from disputes over $20mm and 15 days to disputes over $15mm and 15 days. We will continue to report these disputes on a monthly frequency. Reports will be enhanced to include disputes both where the reporting entity is calling for collateral and being disputed, and where such reporting entity is being called for collateral and disputing. Additionally, the G14 Members will report on the number of disputes that are taken through a polling process during the previous month. 70% of G14 Member firms will implement these enhancements by May 31, 2011 and the remainder no later than December 30, 2011. Firms that cannot meet the May 31 date will inform their prudential regulator. We further commit to investigate the feasibility of achieving the supervisory goal of a consolidated, anonymized report of large disputes across industry participants, and to report back to the Supervisors by June 30, 2011. The study will include a section on impediments and possible solutions that can be discussed with the Supervisors.

Initiative 2: Portfolio Reconciliation

Commitment 1: Reduce thresholds for routine portfolio reconciliation

We support the expansion of portfolio reconciliation discipline within the market. We commit to reduce the threshold for routine portfolio reconciliation of collateralized portfolios from those exceeding 1,000 transactions to those exceeding 500 transactions starting June 30, 2011. These portfolios will be reconciled at least monthly[11].

Initiative 3: Update the industry Collateral Roadmap and Best Practice Documents

Commitment 1: Collateral Roadmap and Best Practice

We previously committed to produce and periodically update both the Collateral Roadmap and the Collateral Best Practices documents from time to time. We will update the Roadmap by June 30, 2011 and the Best Practice Document by November 30, 2011. Some of the likely highlights of the updated Roadmap include:

- Publication of an updated ISDA Minimum Market Standards for Portfolio Reconciliation. The roadmap will outline target dates for adoption.
- Continued support for developmental work with vendors to bring at least one commercially viable, robust and mature Electronic Messaging platform for collateral management to market. The Roadmap will outline target dates for implementation dependent on vendor deliveries.

Initiative 4: Portfolio Compression

As part of the broader Bilateral Risk Management strategy, the G14 Members have been actively engaged in Portfolio compression initiatives, where possible. Portfolio compression is a process that

[11] Commitment does not include inter-company trades (i.e. between affiliates of the same group), internal trades (i.e. between desks/locations of the same firm) or any portfolios of trades held with CCPs. Additionally CSAs comprising only spot FX trades are excluded since FX trades mainly settle through CLS which already reconciles open positions on a daily basis.

reduces the overall size and the number of line items in OTC derivative portfolios, without materially changing the risk parameters of the portfolio. The following text highlights specific portfolio compression commitments as they pertain to each of the respective asset classes. Generally, Signatories will continue with their work to identify and pursue any and all significant and viable compression opportunities.

Commitment 1: Portfolio Compression for Commodity Derivatives

Multilateral trade compression has not been widely adopted in Commodities for several reasons. most commodity derivative transactions are now conducted on exchanges which automatically compress all transactions[12,13].

As a result, multilateral portfolio compression is not a current industry focus and is not of sufficient priority to warrant a commitment at this time.

Commitment 2: Portfolio Compression for Foreign Exchange Derivatives

The bilateral risk management benefits that accrue from portfolio compression in the FX Derivatives market are limited and, as a result, should not be applicable[14].

Commitment 3: Portfolio Compression for Interest Rate Derivatives

Rates compression is designed to reduce the outstanding number of transactions and total outstanding notional in the market. These compressions utilize a method where a residual risk position is generated for participants. This is inherently different than the trade compression techniques used in the Credit Markets, where no residual risk positions are produced.

- The G14 Members commit to executing regular compression cycles for both bilateral and cleared transactions. There will be at least 12 bilateral compressions and 6 cleared trade compressions in a major Rates CCP in appropriate currencies in the 12 months ending March 2012, and over time the number of bilateral cycles will decrease and cleared cycles will increase dynamically in line with the outstanding population available for compression.

- The G14 Members commit to optimizing the concentration of their exposures and the submission of their portfolios on an ongoing basis in order to maximize the success of the tear-up algorithms. The success of these efforts can be tracked via the compression MIS that is being submitted for each market participant to the regulators.

- Signatories will work with the major Rates CCP to seek to deliver the following enhancements:
  - creating a workflow for compression of non-London based currencies such as JPY;

[12] Significant and increasing percentages of OTC commodity derivatives are OTC cleared, which also results in automatic compression. In addition, commodity derivative transactions have materially shorter tenors than those in other asset classes and commodity market participants tend to utilize bilateral early settlements to address counterparty-specific compression opportunities. Finally, market participants have found the cost of multilateral compressions high relative to the compression and risk management benefits enjoyed.

[13] Most commodity derivative trades have a tenor of one year or less, as compared to other derivative asset classes which may support significantly longer tenors.

[14] Given the short-dated nature of FX derivatives, and the time taken to prepare FX portfolios for compression, a significant number of trades would have matured by the time compression actually occurs, further reducing any benefit. Specifically, the average maturity of an FX portfolio is three to six months (only one month for option trades), while the tenor for other asset classes (e.g., rates and credit) is significantly longer. Thus, the inventory of long-term trades prevalent in those other asset classes for trade compression does not exist in the FX market.

- including FRAs into the scope of cleared products being compressed once the product is added to the clearing product scope; and
- implement riskless (same trade economics) compression within the US FCM cleared trade framework.

Commitment 4: Portfolio Compression for Credit Derivatives

As we have compressed the majority of the existing G14 Member portfolios, we have maximized our economies of scale and have reached a point of diminishing returns. The G14 Members commit to continue to perform compression cycles, as needed, specifically where there is a resulting yield achieved through the process. The Signatories will work with the Supervisors to establish appropriate frequencies for compression runs that aim to maximize aggregate compression yields on a risk neutral basis. The Signatories commit to work with CCPs to introduce compression as a standard part of their functionality.

Objective 4: Increasing Transparency

We are committed to the efficient functioning and integrity of the structure of the financial markets, specifically the OTC derivatives markets. We acknowledge that increasing transparency and the reporting of transactions to regulators are necessary to allow effective market supervision and monitoring of trading activity. To this end, the Signatories continue to work in cooperation with the ODSG and other interested global authorities to develop data infrastructure that will support these goals, and in particular in the development, implementation, and ongoing enhancement of trade repository infrastructure.[15] Our strategic plan to assist in the furtherance of these deliverables consists of two broad initiatives. First, we will continue to work with service providers to design, implement and/or enhance trade repository infrastructure in each of the five asset classes that should effectively meet policy objectives, serve the information needs of global regulators, and provide operational benefits to market participants. Second, we will work with our Supervisors to address legal obstacles to the reporting of some transaction information to trade repositories. For these two initiatives, the Signatories commit to working with the ODSG and other interested global authorities.

We note there is a significant risk that without a single trade repository per asset class, regulators will only be able to achieve a complete view of the market if they have established the means to aggregate data across multiple repositories. For example, a proliferation of multiple trade repositories per asset will present very significant challenges for the industry to deliver the data analysis specified in Objective 2, Commitment 3.

Initiative 1: Develop, Implement, and Enhance Trade Repository Infrastructure

Commitment 1: Participate in Efforts to Develop and Use International Data Standards

An IIGC Data Working Group (DWG) has been formed with a mandate to guide the development and application of cross asset class data and reporting standards for OTC derivatives. This group will provide feedback from an OTC derivatives perspective to ongoing international efforts to establish standard identifiers and reference data, including the current international efforts to establish Legal Entity Identifiers (LEI) and unique trade or contract identifiers.

The DWG in collaboration with the FpML Standards Committee will develop a proposal on unique identifier for OTC products and tradable instruments - with a particular focus on cleared and electronically executed trades. This includes the development of policies and procedures to provide unique identifiers and standardized representations of OTC derivatives products. In addition, in collaboration with the regulators and some of the candidates for a TR role we will develop a product taxonomy that covers all OTC derivatives, leveraging FpML as the industry standard.

At the same time we will devise rules around creation and use of unique identifiers for contracts or trades that can be applied on a global basis. Standards will need to be proposed for who should generate these identifiers and how identifiers are treated for events that occur after initial trade execution, such as post-trade events, clearing and portfolio compression activities. Devising global standards for these scenarios will reduce the risk of an uncoordinated approach to implementation

[15] From the industry's perspective, a single global trade repository per asset class, run on a cost-recovery basis, would be the most efficient and cost effective model for the industry to implement, and would be able to provide regulators with the most complete view of the OTC derivatives markets. Without a single trade repository per asset class regulators will only be able to achieve a complete view of the market if they have established the means to aggregate data across multiple repositories.

and mirror the precautions taken when creating and implementing unique identifiers for the existing reporting repositories.

We will deliver a whitepaper by April 15, 2011 on the topic of standardized representation and unique product identifiers for OTC derivatives; we will deliver a plan for the development of standardized representations and unique product identifiers, as outlined above, to the regulators by May 15, 2011.

Commitment 2: Interest Rate Derivatives Trade Reporting Repository ("IRRR") Design Changes

The industry has determined that the IRRR in its current form is unable to support the necessary functionality required to deliver the requisite reporting capability. Consequently, a new Request For Proposal ("RFP") was published on March 14, 2011 to identify potential service providers who can deliver against the identified requirements.

The new RFP describes these functional requirements that aim to meet the requirements of the Supervisors and the global regulatory agenda under financial reform legislation.

The RFP process is expected to complete prior to April 30, 2011.

By June 30, 2011, the Signatories will deliver a full plan for implementation of the next phase of the IRRR. This plan will identify detailed deliverables relating to data, messaging and infrastructure of the IRRR.

The indicative target go live for the next phase of the IRRR is Q4 2011, Signatories will work with the service provider selected through the RFP process, to keep the Supervisors informed of progress towards meeting this target. Formal updates will be provided following delivery of the implementation plan by June 30, 2011.

Commitment 3: Equity Derivatives Trade Repository Design Changes

We commit to continue working with the Supervisors and other appropriate global authorities to improve and enhance an appropriate Trade Repository infrastructure for the OTC Equity Derivative markets and as such we will focus on the following elements outlined in the Phase II Repository Reporting Expectations document produced by the OTC Derivatives Regulatory Forum ("ODRF") sub-group:

Implementation of Transaction Level Data:

- The G14 Members will provide transaction level data to the trade repository.
- The scope of the transaction level records will be broadened and enriched through the inclusion of additional data fields.
- The initial primary investment will focus on sourcing data from the electronic confirmation systems.
- Paper confirmations will be addressed as part of a secondary phase.

Maximizing and Ensuring Data Quality

- The Signatories will work to increase the eligibility for electronic matching and will leverage the 2011 ISDA Equity Derivative Definitions.
- The industry will work on delivering lifecycle management capabilities to ensure records are consistent and up to date.

Implementation Timeline:

- The Signatories agree to provide an implementation plan for the trade repository on the above mentioned items by June 30, 2011 to Supervisors.
- The implementation plan will include a detailed timeline and at a minimum, description for the following deliverables:
  a) Migration from position to transaction level data submission;
  b) Increase in reporting frequency;
  c) Additional transaction level data fields;
  d) Introduction of a trade pairing process; and
  e) Process for onboarding participants in order for data to be representative of the overall market.
- We propose indicative timeframes for elements of the next phase enhancements as follows:
  a) Certain additional data fields during Q4 2011; and
  b) Transaction level data sourced from electronic confirmation systems, migrating from position to transaction level data submissions, increase in reporting frequency and introducing pairing processes during 2012.

However, it should be noted that daily reporting for electronically confirmed transactions is dependent on both vendor build-out and life-cycle management. Signatories will keep the Supervisors informed of progress towards meeting these targets and formal updates will be provided following delivery of the implementation plan by June 30, 2011.

Commitment 4: Commodity Derivatives Trade Repository Plans

In an effort to further Supervisory transparency, the COSC commits to conduct a similar survey to the one completed in 2010, which will cover financial agricultural products, by December 31, 2011[16].

The COSC, which is a group comprised of G14 Members, Commodity firms and End-Users, has developed an RFP for a Commodity Derivatives Trade Repository. The RFP was issued on March 25, 2011. With financial oil being a starting point, the RFP requested that the initial submissions demonstrate the capability of the respective service providers in handling all commodities. Other appropriate trade associations have been consulted throughout the RFP process[17]. The COSC aims to select a service provider by May 31, 2011 and go live with the repository by the end of Q1 2012.

Commitment 5: Foreign Exchange Derivatives Trade Repository Plans

The FXMD will embark on a full RFP process to identify the most suitable vendor to develop a FX Derivatives Trade Repository no later than Q2 2012.

[16] The COSC surveyed a broad sample of market participants with a view to creating a better understanding of key market practices, informed by real data. At the suggestion of the regulatory community in the form of the International Organization of Securities Commissions ("IOSCO"), the focus in 2010 was on financial oil. This initial survey built on the metrics work of the CMD and sought to engage a cross-section of non-G14 Members, an area of particular concern since no metrics have been available to date. The intention of the survey was to attempt for the first time to quantify, on a sample basis, the impact of the OTC market in financial oil, and thus to inform the debate as to whether financial derivative trades pose a systemic financial risk. The assertion of COSC, based on this data sample, is that there is no evidence that they do. The significant majority of business is conducted on-exchange and/or is cleared. Therefore, it is visible and controlled. Concerning the remainder, collateral arrangements are common and confirmation processes are timely (as the submissions already made by the G14 firms illustrate). In an effort to continue along this vein, the COSC will conduct a similar survey which will cover financial ags in 2011. Given the interest stated by regulators in oil and agriculturals volatility, these two markets are our initial focus, in support of providing greater transparency for the Supervisory community.

[17] The OTC Commodity Derivative market is global in nature with a diverse group of market participants and associations, including ISDA, LEAP, EFET, IETA, LBMA, etc. (see ISDA website for a broader list of participants: http://isda.org/c_and_a/pdf/Industry-Governance-Committee-Structure.pdf)

Commitment 6: Credit Derivatives Trade Repository Enhancements

a) Development of "Copper" Records

Further developments in respect to Copper records were slated as 2011 discussion points in an effort to increase the transparency around non-Gold records. This initiative was focused on developing a 'paired record' concept. However, this item has now been removed from the agenda as the work currently underway in relation to reporting and the trade repositories has superseded the Copper record. Work is taking place to assess the feasibility of trade repositories holding electronic images of legal confirmation documents for all non-electronically confirmed trades (verified with both parties to the transaction). It is contemplated that this data will provide a higher quality of information to regulators than the current Copper record. Additionally, the Warehouse Trust has launched a portal that makes available standard reporting for gold records to relevant Supervisors. This environment can be expanded to include automated distribution of copper reporting to relevant regulators in Q2 2011.

b) Roll-outs of New "Gold" Products

New products undergo a multi-step assessment process prior to the commencement of trading. This process has been developed to promote standardization and increase operational efficiency through electronic processing. New products are assessed utilizing the following attributes:

i. Existing or new standardized documentation;
ii. Capability for confirmation on an electronic platform and the ability for the product to be properly recorded in the Trade Information Warehouse ("TIW"); and
iii. Eligibility for electronic processing through a Novation Consent Platform.

The existing portfolio of products, which are not yet electronically eligible, have been reviewed using the above criteria. Accordingly the CIG makes the commitment relating to processing of Recovery Lock Transactions as detailed under Standardization.

Initiative 2: Addressing client data confidentiality in connection with transaction data reporting

The Signatories commit to working towards resolving client confidentiality issues that hinder provision of data that will allow Supervisors to identify significant build-ups of risk. Signatories' discussions among key dealer and buyside members have shown that most clients are unlikely to consent to the provision of their data. Many clients have indicated they will not consent to such disclosure under any circumstances because they will not permit their trade data to be available to foreign governments or regulators. Others might be willing to consent, but only once their concerns over which regulators will have access to data and what safeguards will apply to it, have been addressed. The Signatories will continue to engage with the Supervisors and infrastructure vendors to address these concerns.

The Signatories believe that there are three practical ways forward to address the obstacles to reporting client transaction data. First, the industry can develop a systems solution that enables the assignment of client identification numbers. Such client identification numbers, rather than client names, could be used when reporting client transaction data. This solution requires the design and implementation of effective and appropriate data access controls, including the clear specification of regulatory entitlements and permissioning.

Second, all stakeholders must work towards promoting statutory and regulatory changes aimed at enabling the disclosure of transaction data for legitimate supervisory and regulatory use, subject again

to the clear specification of regulatory entitlements and permissioning[18]. To this end, the Signatories will work with Supervisors, leveraging work previously done to characterize the potential impacts of legislative and regulatory changes.

Third, separately from promoting the relevant statutory and regulatory changes, and once the necessary safeguards for the data have been classified, the Signatories can propose means for promoting and effecting voluntary disclosure of client transaction data.

Commitment 1:
Signatories will work towards proposals for designing systems solutions for client identification numbers across trade repositories.

Commitment 2:
Signatories will work with Supervisors towards promoting statutory and regulatory changes aimed at enabling the disclosure of transaction data for legitimate supervisory and regulatory use, based upon clear specification of regulatory entitlements and permissioning.

Commitment 3:
Once the necessary safeguards for the client data have been clarified, the Signatories will propose means for promoting and effecting voluntary disclosure of client transaction data.

[18] In particular, legislation is needed to clarify that parties providing data to trade repositories that will be passed on to authorities will not be in breach of any legal or contractual restrictions on the provision of such data. Wording of this sort was included in the draft EMIR legislation and, whilst that wording will require some changes in order to be fully effective, it provides a template for other jurisdictions.

Annex B – Recent Achievements and Outstanding Deliverables

1. Standardization

Product Standardization

- The FXMD have developed a standardize template and terms for the FX Volatility Swap, a Cross-Currency Guide[19] and an FX Novation Protocol[20] by end of December 2010. All three standardization efforts are slated for publication in March/April 2011.

- During 2010 the equity derivatives industry has continued to increase product standardization with the publication of the following new Master Confirmation Agreement annexes:
  a) European Interdealer Index Swap;
  b) European Interdealer Fair Value Swap; and
  c) EMEA EM Interdealer Options.

Process Standardization

- Documentation: The publication of the Commodities Documentation Matrix (Matrix[21]), which summarizes the various types of published documentation (ISDA and non-ISDA) that are utilized for Commodity Derivative and Physical transactions within the industry, has increased market transparency in regard to OTC Commodity Derivatives Documentation.

- Metrics Reporting: Due to the more mature nature of certain commodities markets, the CMD were the first group of major dealers to provide cleared OTC volume data as part of its core metrics and reporting to Supervisors.

- In 2010, the CMD met aggressive electronic confirmation matching targets for inter-CMD eligible energy (90%) and metals (85%) transactions.

- The CMD provided Supervisors with an analysis clarifying the processing of "other" (non-energy and non-metals) commodity derivatives.

- Cash Flow Matching for Equity Derivative Transactions became operational between G14 Members as of November 15, 2010.

- Electronic confirmation rates in the primary single IRS product set have increased from 75% to 88%.

- Allocations: Interest rates delivered electronic allocation functionality on a primary industry post-trade processing platform.

- Confirmations: For interest rates, electronic and paper outstanding confirmations aged more than 30 calendar days are now at an industry average 0.14 business days of trading volume based on the prior

[19] The Cross-Currency Guide provides solutions to a number of fundamental underlying issues related to non-standard emerging market currency pairs and leads the way to additional standardization/electronification of NDF and NDO confirmations.
[20] The FX market has been developing an FX Novation Protocol to address increasing novation activity. In the weeks ahead, the FX market will be putting in place a process similar to that of interest rates and credit which will allow for more effective booking and efficient processing of novations.
[21] See ISDA website - Commodities Documentation Matrix Published July 30, 2010.

three months rolling volume and this metric is now considered BAU. 95% of electronically eligible confirmable events with G14 Members are now processed on electronic platforms. An industry average of more than 60% of electronically eligible confirmable events with all other participants are now processed on electronic platforms.

- Trade Affirmation: For interest rates, the industry average is now consistently above 90% for positive affirmation of economic trade details by T+5 business days for all unconfirmed trades. This is considered to now be an established code of conduct for the industry.

- Interoperability: The MarkitSERV confirmation process is now interoperable between MarkitWire and DTCC confirmation platforms for interest rate derivatives and this functionality is used for all eligible products within 90 days of its release.

- Implementation of standard coupons for Credit Derivative Tranche Transactions

- The publication of Additional Provisions for Sukuk Corporate and Sovereign transaction types and the addition of standardized contracts for these transaction types to the ISDA Credit Derivatives Physical Settlement Matrix.

- The Credit Derivatives 2010 Documentation Update Working Group ("CDD") has updated the documentation for several products to incorporate the Small Bang Protocol and other standard provisions as necessary

- Warehouse Trust Company released new Credit Derivative functionality to automate the processing of a Restructuring Credit Event in accordance with ISDA's Small Bang Protocol. The process was utilized to settle two Restructuring Events on Anglo Irish Bank Corporation Limited.

- The Credit Derivative industry has met the commitment to replace the two-step practice of novation consent followed by confirmation with an automated, single step, simultaneous process of obtaining consent and legal confirmation. The industry's two Novation Consent Platforms fully support this new workflow, substantially covering all eligible credit derivative novations, and bringing an increased level of operational efficiency to the novation process.

- New Credit Derivative products live for electronic processing in Q1 2011 include European MBS, Fixed Recovery Swaps, Swaptions on Indices (including both iTraxx Europe Untranched Swaption transactions and CDX Untranched Swaption transactions), Sukuk transaction types and Single name Swaptions.

- For FX Derivatives, the FXMD have met targets for increased electronic processing of electronically eligible confirmable volume for NDFs, NDOs, Vanilla Options and Simple Exotic Options.

- Applicable to both Core FX[22] and NDFs, the FX market have increased central settlement volume by promoting greater use of the Continuous Linked Settlement system ("CLS") in both sell-side and buy-

[22] As described in the October 2008 Letter, the FX Market is comprised of two primary components – (1) traditional core foreign exchange products, which include spot transactions, forward transactions and a product commonly referred to as an FX swap (being the combination of a spot and a forward, or two forwards with different maturities, executed at the same time in opposite directions) (all such core foreign exchange products collectively referred to herein as "Core FX"), and (2) currency derivatives (which are grouped into five basic product families: non-deliverable forwards (NDFs), non-deliverable options (NDOs), deliverable options (Vanilla Options), barrier options (Simple Exotic Options) and complex exotic options; collectively "FX Derivatives"). With respect to high-volume Core FX, the industry has historically prioritized electronic processing of confirmations and central settlement. Focusing on these two primary goals of transaction processing has proven to be an effective risk-control strategy for the FX Market. Because of that success, and because the most common FX Derivative transactions differ considerably from other derivative asset classes (e.g. they are short-dated, presently trade at low volumes, and are subject to fewer lifecycle events), the

side communities through examining barriers to access and working with Settlement Members of CLS to extend services.

2. Central Clearing

- Dealer to Dealer Clearing: The interest rates industry has achieved G14 v G14 Member clearing targets of 92% submission and 90% clearing of eligible new trades. There are a significant number of price makers that are now direct clearing members at an industry CCP: 29 at LCH.Swapclear and 10 at CME. Aggregate data on cleared trades MIS is provided to the market via the Rates TRR aggregate reporting.

- End User Clearing: Multiple Rates CCPs are now live with initial offerings that enable end users to clear derivative transactions in both US and other jurisdictions. Transactions have been cleared but take-up to date has been limited.

- Both dealers and industry CCPs are working closely with the buy-side to bring the benefits of clearing to a full set of industry participants by remediating issues identified through clearing framework developments.

- Extended Clearable Products/Features: The following were added to Rates CCPs in 2010: Zero coupon swaps, single currency basis swaps, extending operating hours.

- Clearing Models: Enhanced client clearing models have been introduced where the executing broker does not need to be a direct clearing broker.

- End User Clearing: The industry has worked together to develop an end user solution for CDS clearing which is live on ICE and CME.

- Standard Documentation: Dealer and Buy-Side have extensively worked together on the development of standard give-up documentation.

- Dealers worked with CCPs to increase the suite of products offered for clearing, with 89 single names now offered for clearing at ICE Trust, and 101 single names at ICE Clear Europe.

- Market participants have worked together to publish the "Development of Default Management Best Practices for Credit CCPs" to use as a standard for default management across Credit CCPs.

3. Bilateral Risk Management

- Delivery of proposals for improvements to the OTC collateral process, through Dispute Resolution Procedures that would employ, inter alia, portfolio reconciliation, along with formal dispute resolution for intractable disputes.

- Consistently delivering market practice improvements through increased portfolio reconciliations for collateralized portfolios and piloting electronic messaging of margin calls to improve the automation within the collateral processes.

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industry strategy is to leverage and expand the existing Core FX infrastructure to manage the risks of FX Derivatives, with a continued focus on the same two goals. Likewise and where applicable, any improvements to infrastructure for FX Derivatives will be leveraged for Core FX.

- Interest rates compression: Regular cycles for both bilateral and cleared transactions are scheduled and executed. In 2010, the Rates interdealer market has successfully compressed $9.1 trillion and 167,741 trades of bilateral exposure and $36.7 trillion and 163,307 trades of cleared exposure through utilization of industry compression services. All notional numbers are calculated single counted except for trades facing a CCP where each side of the trade is counted following market practice.

- Global Compression cycles for single name and index transactions are frequently run on a weekly basis for Credit. The effort to re-coupon transactions from non-standard to standard transaction types has increased since the inception of the Small Bang and the introduction of standardized trading terms. In 2010 the industry realized a net reduction of close to $9.78 Trillion (28.7% termination of an eligible gross notional of $34 Trillion)[23].

- In 2010, the FX market established a type of compression process in the form of pro-active netting exercises through CLS and its CLS Aggregation Service. This process has created significant efficiencies and provides relevant risk management benefits with respect to the market's high volume Core FX settlement processing[24].

4. Transparency and Trade Reporting

- A revised, extended and updated ISDA Governance framework, with increased participation of the buy-side in the strategic agenda, policy formation and decision-making process.

- Continued progress in the implementation of data repositories, extending the asset class coverage to include Credit Derivative, Interest Rate Derivative and Equity Derivative products.

- The completion of various transparency studies, which has been delivered to Supervisors. Additionally, the completion of a Commodities Market survey which included a broad sample of market participants with a view to creating a better understanding of key market practices. The survey was based on a snapshot of May 2010 trades and was delivered to representatives of IOSCO on July 30, 2010 and shared with the ODSG.

- Improvements made in FX Derivatives confirmation metrics which are being reported to Supervisors. The new metrics provide greater segregation of buy-side participants, separating other dealers from non-dealers, and will facilitate establishing future targets for those groups.

- The repository for interest rates was launched on December 31, 2009, and the G14 Members are now providing weekly reporting from this data repository on outstanding non-cleared trades to primary regulators. Since initial launch, enhancements have been made to normalize submissions between dealers,[25] include cleared trades in the submission scope, expand regulators' reporting to include participant type, provide public access to aggregate industry notional and trade count data on a monthly basis, and increase submission and reporting frequency to weekly.

- The Equity Derivative Reporting Repository (EDRR) successfully went live as scheduled on July 31, 2010. All G14 Members participated in the go live. As noted in the letter the G14 Members continue to

[23] Source: TriOptima, Creditex and Markit

[24] Although not directly applicable to FX Derivatives, achievements such as this to Core FX processing create operational capacity and efficiencies which can be applied broadly across the entire FX market, indirectly benefiting FX Derivative resources which are commonly shared with Core FX.

[25] Since inception of the IRRR, G14 Members have been working with the service provider to ensure that the data aggregation process is as thorough as possible and does not double count trades where G14 Members face each other.

work with the ODSG and other appropriate global authorities to improve and enhance the Trade Repository Infrastructure.

- Trade detail level information on cleared trades is available in the repository for global regulatory review when permissioning issues are resolved.

5. Missed Commitments

Equity Definitions

In October 2010 the ESC requested, and were granted, an extension to the target date for publishing the new Equity Derivative Definitions from December 31, 2010 to May 31, 2011. The reasons for this request included the following:

- The complexity of adding new products into a Definition framework.
- The need to provide for each potential risk allocation across product and region, which has lengthened the negotiation time for each area.
- The vigorous and extensive nature of debate on individual issues between buy and sell side participants given the expectation is that the Definitions will be used for many products without additional modifications. The provisions as they appear in the Definitional booklet take on new importance as the industry has committed to using them in the form published without substantial amendment in an MCA or matrix process.
- The inclusion of new risk coverage not seen in the 2002 Equity Definitions or in any ISDA published MCAs -- these areas are new risk allocations and subject to debate from both sides of market.
- The concern to achieve consensus in order to promote standardization, and limit the proliferation of multiple elections on specific points of contention.

As noted in the Product Standardization section of this letter, the industry continues to work towards this revised publication date and has dramatically increased meeting schedules and time to prepare and review draft language in order for the definitions to be published on time.

Dispute Resolution

As detailed in the Bilateral Risk Management section of this letter, the industry continues to actively work on the Margin Dispute Resolution procedure; an ODSG commitment to publish finalized documents by September 2010 is on-going and subject to intense industry discussion. Dispute Resolution is a highly technical, multi-disciplinary subject. Industry participants have been intensively engaged, typically meeting weekly or more often, since mid-2009 on this topic. Several particularly difficult technical issues must be resolved in order to create a document that Signatories and others will be willing to adopt, it should be noted that a failure to design a robust process will expose Signatories to material credit and market risk, which ultimately could result in increased levels of systemic risk market wide. Re-engineering market procedures that address numerous unknown and unknowable future scenarios by its nature, is not easy. A range of alternative processes and consequences have been investigated and comprehensively discussed. The vast majority of these issues have been resolved through the concerted effort of market participants, with some remaining items left to be addressed: specifically:

a) The question of whether large numbers of trades may be admitted to the highly structured market polling mechanism contemplated and how this concern is balanced with delivering a market solution which serves to address the need to pursue open credit exposure; and
b) How to derive a collateral requirement in scenarios where zero independent market prices can be obtained.

These issues have no easy solutions and the dangers of unforeseen consequences from hastily conceived solutions are manifest. Precisely because these issues will become important in dislocated market conditions where parties may be suffering from credit distress, the consequences of moving large amounts of collateral according to a flawed procedure are material. Accordingly, market participants on both buy-side and sell-side have proceeded with careful deliberation on these issues, reasoning that it is better to create the best possible solution in a longer timeframe than the alternative. In doing this, the industry has been very transparent with Supervisors internationally on these topics and progress, and has taken on board collaborative suggestions from the supervisory community towards solutions and priorities. Additional comfort should be taken from the very considerable achievements already made in this field. Dispute resolution and the related topic of portfolio reconciliation have been the subject of a series of industry commitments since 2007, and the current work extends upon the base of deliveries already established. Although the specific objective of completing the Dispute Resolution documentation remains work in progress, over the past two years many benefits have already accrued and been put into practice in the market:

- In this regard, the G14 Members already implemented dispute reporting to ensure that the prudential supervisors of the regulated bank Signatories are fully aware of any material disputes - pro-active dispute reporting provides the information to Supervisors to give them advance warning of potentially systemic issues, something which was lacking in the last crisis.

- Expanded commitments with respect to broadening the scope of proactive portfolio reconciliation practices across the market.

- Development of the Dispute Resolution documentation has seen a steady "trickle-down" effect whereby new concepts around data exchange, escalation of disputes, dedication of staff to dispute resolution and the conduct of market polling have made their way into market practice even in the absence of a final version of those documents.

ISDA and market participants continue to devote extensive time and resources to this important initiative. We believe it is important to look at the composite package of measures that the industry has adopted to reduce and manage disputed margin calls over the past few years. It is also important to complete the current work on the Dispute Resolution documents, and we continue to be intensively engaged towards this objective.