



NEWS RELEASE
For Immediate Release

Adjusted OTC Derivatives Volume Declines and Central Clearing Increases, According to ISDA Market Analysis

NEW YORK, June 6, 2012 – The International Swaps and Derivatives Association, Inc. (ISDA) published today its analysis of the over-the-counter (OTC) derivatives market based on year-end 2011 statistics.

According to the ISDA analysis, adjusted volumes of OTC derivatives declined by 10.3 percent from June 2011 to \$440 trillion. The adjustment takes into account double-counting of cleared transactions and excludes the volume of foreign exchange contracts. Compression (also called tear-ups) continues to impact the level of OTC derivatives outstanding. Cumulative compression activity in the interest rate swap (IRS) and credit default swap (CDS) markets have reduced notionals by just over \$200 trillion.

“The increase in central clearing, the effectiveness of netting and collateral, and portfolio compression all work toward the same goal – reducing counterparty credit risk,” said Robert Pickel, ISDA Chief Executive Officer. “Our continued progress toward this goal reflects the commitment of ISDA and the industry to help make the derivatives markets safe and efficient for all users of derivatives products.”

Adjusted volumes for interest rate derivatives products – which includes IRS, forward rate agreements (FRAs) and interest rate options – fell 10.5 percent from June 2011 to \$362 trillion. Adjusted volumes for IRS alone fell 10.3 percent from June 2011 to \$262 trillion. IRS compression totaled \$120 trillion on a net, cumulative basis as of year-end 2011.

About 53.5 percent of the adjusted IRS volume was centrally cleared as of December 31, 2011. Compression impacted the percentage of cleared IRS outstanding, reducing the ratio of cleared IRS to total IRS from 60.2 percent. Uncleared IRS volumes fell 15.1 percent from June 2011 to \$122 trillion.

In the CDS market, adjusted volumes fell 12.5 percent from June 2011 to \$25.9 trillion, the lowest level since year-end 2006. ISDA estimates the total amount of trades that cannot be electronically confirmed (copper trades) is no more than \$2.8 trillion as of year-end 2011. Only \$530 billion of these are multi-name transactions. Approximately 10.6 percent of adjusted CDS have been cleared as of year-end 2011. CDS compression totaled \$82 trillion on a net, cumulative basis as of year-end 2011.

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The analysis also shows the risk mitigation benefits of netting and collateral. Gross Credit Exposure was 14.3 percent of Gross Market Value* and 0.6 percent of notionals outstanding because of netting agreements. Collateralization further reduces credit exposure to 4.1 percent of Gross Market Value and 0.2 percent of notional value. The benefits of netting reduced credit exposure by 85.7 percent globally and by 92.1 percent among US banks.

The full ISDA OTC Derivatives Market Analysis is available in the ISDA website's Research section under Studies: <http://www2.isda.org/functional-areas/research/studies>.

*Gross Market Value represents an estimate of the total positive market value of contracts held by reporting dealers plus the absolute value of contracts with negative market value with non-reporting counterparties. Gross Credit Exposure applies the benefits of netting to Gross Market Value.

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About ISDA OTC Derivatives Market Analysis

ISDA produces its Market Analysis to correspond with the release of the Bank for International Settlement's (BIS) semi-annual statistical release. The BIS's most recent release covered the period ending December 31, 2011.

ISDA's reporting aims to integrate market data to show the impact of clearing, netting, compression and collateral on notional amounts and risk exposures in the over-the-counter (OTC) derivatives markets. Counterparty credit losses from the Office of the Comptroller of the Currency (OCC) report are also presented.

The Market Analysis draws on information sources including LCH.Clearnet's SwapClear, TriOptima, the DTCC Trade Information Warehouse, Markit, ICE, CME and ISDA Research.

About ISDA

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA is one of the world's largest global financial trade associations, with over 830 member institutions from 59 countries on six continents. These members include a broad range of OTC derivatives market participants: global, international and regional banks, asset managers, energy and commodities firms, government and supranational entities, insurers and diversified financial institutions, corporations, law firms, exchanges, clearinghouses and other service providers. Information about ISDA and its activities is available on the Association's web site: www.isda.org.

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