Market Activity Analysis

Performed for the ISDA Credit Steering Committee

September 17, 2010

On March 1, 2010, market participants including dealers and buy-side institutions, as well as industry associations submitted a letter to a group of global supervisors detailing commitments to improving the OTC derivatives market infrastructure. As part of this letter, the signatories to the letter asked the Depository Trust and Clearing Corporation (DTCC) to perform an analysis of the single-name credit default swaps (CDS) by April 15, 2010 to assist in the expansion of products eligible for clearing, using data available in the DTCC Trade Information Warehouse (TIW).

DTCC has previously made several versions of this data publicly available. As part of the ongoing commitment, the signatories to the letter have asked DTCC to produce this analysis on a quarterly basis going forward. As such, the output of the most recent analysis, including aggregated transaction data by reference entity, will be made available on our public website for the period beginning March 22, 2010 and ending June 20, 2010.

Scope of Transactions

The transactions covered in this analysis include only transactions where market participants were engaging in market risk transfer activity. Risk transfer activity is defined as transactions that change the risk position between two parties. These transaction types include new trades between two parties, a termination of an existing transaction, or the assignment of an existing transaction to a third party.

It was specifically designed to exclude transactions which did not result in a change in the market risk position of the market participants, and are not market activity. For example, central counterparty clearing, and portfolio compression both terminate existing transactions and re-book new transactions or amend existing transactions. These transactions still maintain the same risk profile and consequently are not included as “market risk transfer activity” transactions. This analysis also excluded transactions such as backloads (trades uploaded post trade date, and not as part of the original confirmation process for that trade but as a subsequent process) and amendments as well as intra-family transactions (transactions between participants within the same legal hierarchy). Additionally, the analysis included steps designed to identify prime brokerage transactions and count these only once to properly reflect the actual level of market risk transfer activity.

This analysis included single-name CDS transactions, including CDS on Loans. It did not include Markit Index or Markit Index Tranche transactions or transactions on asset-back securities such as CMBS or RMBS. The figures represent transactions and not "sides", therefore two submitted sides equal one transaction.

Detailed Output

This analysis was intended to help inform market participants and regulators as to the structure of the market, and particularly traded volumes, for use in the context of better understanding the potential for clearing. To do this, more detail is provided for the top 1,000 reference entities outstanding in the TIW as of the end of June 18, 2010. This population is published each week by the TIW (www.dtcc.com) and can be found in Section I, Table 6. Of the 1,000 reference entities, 998 names were observed to have market activity during the initial two month period and were further analyzed.

For this data set, the following attributes are included in the analysis, based on the definitions below:

Region
Index Constituent
Total Number of Clearing Dealers
Average Monthly Clearing Dealers
Average Daily Notional
Average Number of Trades per Day
Restructuring %

Attribute Definitions

Region:

The second column identifies the region associated with the predominant trading style associated with each reference entity name, based on the documentation type of the underlying trades. For example, transactions traded as StandardNorthAmericanCorporate would be associated with the Americas Region. Where more than 25% of the transactions are associated with a region, that region has been included; in some cases therefore this attribute shows two or more regions. The regions used are consistent with those for which there are Determinations Committees within the International Swaps and Derivatives Association, Inc. (ISDA).

If the reference entity is a sovereign or governmental entity, it is identified as a "sovereign", regardless of whether the entity is a country, state, or city.

Index Constituent:
If the reference entity name is included in one of the broad market indices traded in the credit derivative marketplace, the third column will be marked as "Yes". For purposes of this analysis, the indices that were used were the CDX Investment Grade Series 13 and High Yield Series 13 indices, the iTraxx Europe index Series 12, the CDX EM Series 12 and EM Diversified Series 10 indices as well as the iTraxx SovX CEEMA Series 3 and Western Europe Series 2 indices. These indices are administered by Markit.

Total Number of Clearing Dealers:
This analysis was meant to assist with the clearing function. Therefore, as part of the analysis, the TIW considered clearing dealers to include the 17 dealer families which were involved in an active clearinghouse as of the end of June, 2010. The 17 families are:

- Bank of America Merrill Lynch
- Barclays
- BNP Paribas
- Calyon
- Citibank
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- JPMorgan
- Morgan Stanley
- Natixis
- Nomura
- Royal Bank of Scotland
- Societe Generale
- UBS
- UniCredit

The fourth column shows the total number of the 17 dealer families that executed at least one transaction during the three month period.

Average Monthly Clearing Dealers:
The fifth column indicates the average monthly number of clearing dealers, out of the 17, that executed transactions on that reference entity on a monthly basis. A clearing dealer will be included for each

month as long as they executed at least one transaction during each month. For purposes of this analysis, a month was considered to be from the 20th of each month through and including the 19th of the following month. This figure is shown rounded to one decimal place.

Average Daily Notional (USD equivalent):

The seventh column represents the average daily notional of transactions executed on each reference entity name. This notional represents the amount executed across the entire maturity spectrum for each of the reference entity. **It does NOT represent the average amount traded at each maturity point or the amount traded at the five year point. Note that for the most liquid of the reference entities, there can be 40 or more maturity dates with activity, with forty representing quarterly buckets for ten years, and trading volume at each individual maturity point is therefore lower, potentially significantly lower, than the total.**

All trading has been converted to its USD equivalent using FX rates from the end of June. The average daily notional amounts have been rounded up to the nearest 2.5MM for average daily amounts less than 25MM and rounded up to the nearest 25MM for all amounts over 25MM.

Average number of trades per day:

This represents the average number of transactions on each reference entity executed on a given day. This is the rounded number of transactions and not sides.

Restructuring %:

This column shows the percentage, in notional terms, of transactions in each reference entity that were executed with restructuring clauses applying. For purposes of this analysis, restructuring includes Old R, Mod R, and ModMod R. The results were bucketed into 5 different percentage bands; < 5%, 5-25%, 25-75%, 75-95% and >95%.

The default trading style in North America moved from trading with restructuring to trading without restructuring last spring along with the introduction of the Big Bang Protocol and "Standard" trading. Because the market activity analysis included "new transactions" as well as termination and assignment of older transactions which had restructuring applicable, the restructuring percentage is derived using only the "new transaction" portion of the activity and not all of the activity, as including termination and assignments would have resulted in higher restructuring % levels which might be misleading on an ongoing basis.