

Preparing for Credit Consent = Confirmation


July 2010



markitSERV™

A joint service from DTCC and Markit

How to ask a question

- We will be taking text questions throughout the session and will address as many as time permits at the end of the presentation.
- To submit a question, click on the chat symbol from the right side menu  and type in your question.
- From the Select Recipient dropdown menu on the bottom right corner, select “Q&A Group.”
- Click on Send.
- We will compile responses to any questions that we don't get to during the session, and distribute to all attendees.
- During the Q&A session, we will also be conducting a few ad hoc polling questions about your participation in the OTC derivatives marketplace. We will distribute the anonymous compiled responses to all attendees so you can get a feel for how your peers are participating.

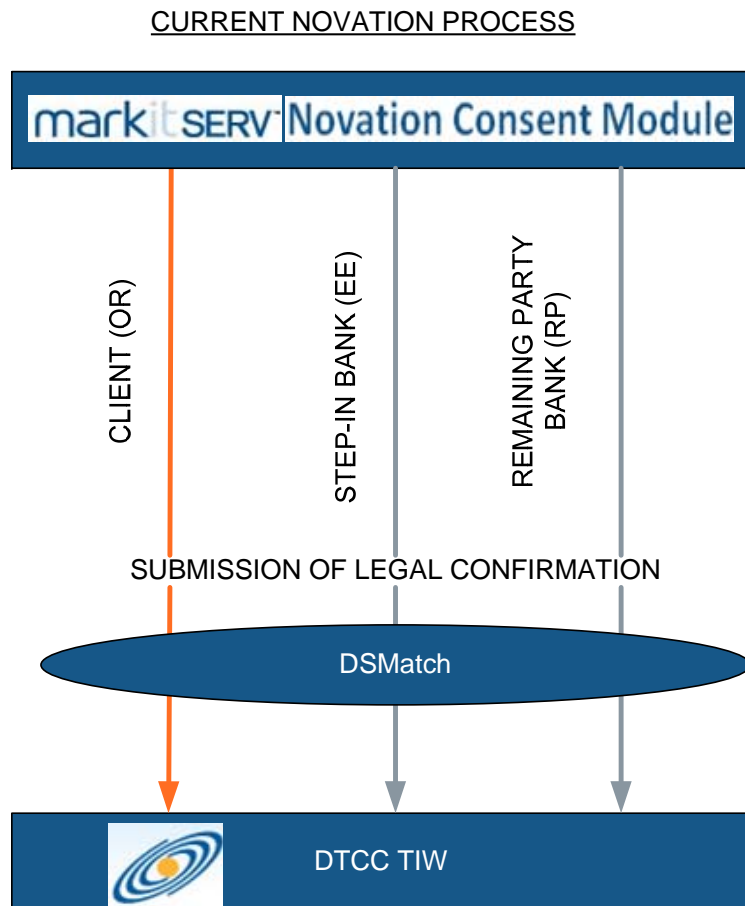
Agenda

- **Introductions:** Piers Evans, head of credit solutions
- **Industry Update:** Lee Silverwood, vp and CIG lead at Barclays Capital
- **C=C presentation:** Piers Evans
- **Credit C=C NCM demonstration:** Simon Todd, vp credit solutions
- **Q&A**

Contents

- Current Credit Novation Consent process
- Credit Novation Consent = Confirmation overview
- Consent = Confirmation eligibility
- Impact on credit trade novation processing
- Appendix (i): Contacts
- Appendix (ii): Glossary of Terms
- Appendix (iii): Fed 14 Members

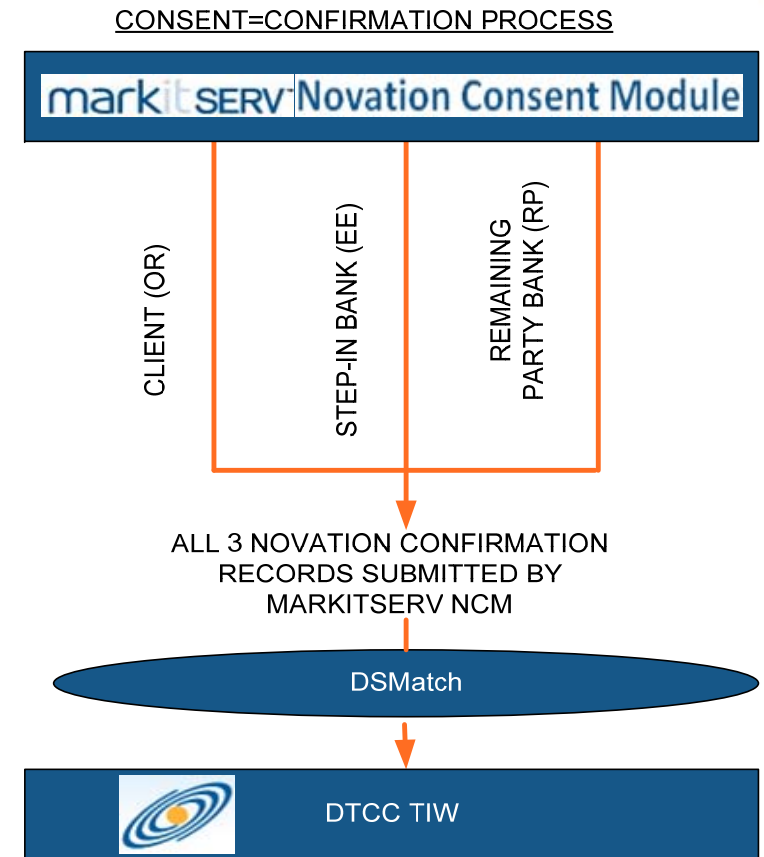
Current credit novation consent process



- Two-step process
 - Consent
 - Confirmation
- All three legs are sent separately to DSMatch for confirmation and further submission to the TIW.
- At present, ORs can elect to generate their confirmation to DSMatch or have NCM send on their behalf.

Credit Novation Consent = Confirmation overview

- The aim of Credit Novation Consent = Confirmation (C=C) is to replace the current two-stage process of consent followed by confirmation with an automated, single-step process for parties to provide their consent and legal confirmation to a novation.
- This was outlined in the letter to the Federal Reserve Bank in July 2009, when signatories committed to change the current novation process so that the action of consent for eligible trades would achieve a valid confirmation.
- This follows a series of commitments made by the Operations Steering Committee, in conjunction with both the ISDA Board Oversight Committee and the Credit Steering Committee to significantly improve novation processing.
- MarkitSERV Go-Live for C=C is 30 September 2010.



Consent = Confirmation Eligibility

- Any party that novates a credit derivative position will be impacted by the September 30th Go-Live for C=C.
- **Eligibility**
 - Both Transferee (EE) and Remaining Party (RP) must be members of the Fed 14.***
 - Underlying trade must be confirmed and certain in the TIW.
 - There must be sufficient notional on the underlying trade within the TIW to novate.
 - Underlying trades must not have any pending post-trade events.
 - The new trade must be confirmable under either STS or Matrix terms.

***additional parties to be added to Fed 14 if/when agreed by industry

Impact on credit novation trade processing

- **Eligibility Flag:** once a novation request is initiated on the NCM, the Eligibility Flag will automatically be displayed whether the request is:
 - C=C Eligible: “Consent =Confirmation”
 - Consent Only:”Consent Only”
 - Outside Request: “Consent Only Outside Novation”
- **Reservation of Notional:** Ensures that only available notional on the underlying trade can be novated
- **Message Suppression:** OR messages to DSMatch need to be suppressed as NCM will auto generate these messages and send to DSMatch once all three parties consent to the novation request. RP and EE are also required to suppress messages to DSMatch.

Impact on credit novation trade processing (*cont'd*)

- **Unconfirmed Trades:** Where the underlying transaction is Unconfirmed in the TIW, the novation request is moved into “error” status. Firms have until 5:00 p.m. on T+1 to confirm the underlying transaction and re-administer consent.
- **Auto-Expiry:** If a novation request is not fully consented to by 5:00 p.m. EST on T+1, the request will auto expire. MarkitSERV will generate and send auto expiry notifications.

Appendix (i): Contacts

- **MarkitSERV** Client Account Management cag@markitserv.com
- **Project Management Office** Olivia Millen omillen@sapient.com
- **Project Management Office** Robert Les rles@sapient.com

Appendix (ii): Glossary of Terms

- **NCM:** MarkitSERV Novation Consent Module
- **TIW:** Trade Information Warehouse
- **OR:** Transferor – Party stepping out of a novation
- **EE:** Transferee – Party stepping into a novation
- **RP:** Remaining Party to the novation
- **C=C:** Consent = Confirmation
- **C Only:** Consent only
- **Outside Request:** A novation request where the underlying trade is not in the TIW

Appendix (iii): Fed 14 Members

- Bank of America Merrill Lynch
- Barclays Capital
- BNP Paribas
- Citigroup
- Credit Suisse
- Deutsche Bank
- Goldman Sachs
- HSBC
- JPM
- Morgan Stanley
- RBS
- Soc Gen
- UBS
- Wells Fargo

Disclaimer

The content, information and any materials (“data”) provided by MarkitSERV and/or its group companies ("MarkitSERV") in this presentation is on an “as is” basis. MarkitSERV expressly disclaims all warranties, expressed or implied, as to the accuracy of any data provided, including, without limitation, liability for quality, performance and fitness for a particular purpose arising out of the use of the data.

MarkitSERV shall not have any liability, duty or obligation for or relating to the data contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall MarkitSERV be liable for damages, including, without limitation, damages resulting from lost data or information or lost profits or revenue, the costs of recovering such data, the costs of substitute data, claims by third parties of for other similar costs, or any special, incidental, or consequential damages, arising out of the use of the data.

Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing may violate the intellectual property rights of MarkitSERV under any intellectual property laws such as copyright laws, trademark laws and communications, regulations and statutes.