

**Katten**

KattenMuchinRosenman LLP

# Client Advisory

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## ISDA to Publish Protocol for Fannie, Freddie CDS

According to an International Swaps and Derivatives Association ("ISDA") spokesperson in a conference call hosted by ISDA this morning, 16 major credit default swap ("CDS") dealers unanimously agreed yesterday that the federal government takeover of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") constitutes a "Credit Event" under CDS referencing obligations of those companies. The appointment of a conservator constitutes a "Bankruptcy" Credit Event under Section 4.2(f) of the 2003 ISDA Credit Derivatives Definitions.

Given that obligations of Fannie Mae and Freddie Mac are included in various CDX indices and are also the subject of single name trades and other credit derivative transaction types (it is estimated that the notional amount of contracts referencing the companies exceeds \$1.4 trillion), ISDA is in the process of organizing a protocol for the settlement of Fannie Mae and Freddie Mac CDS. A draft of the protocol is expected to be launched over the next few weeks; it is expected to provide for an adherence period of five to seven business days followed by an auction that will be held in early October.

Katten will continue to follow the settlement of the Fannie Mae and Freddie Mac CDS. Should you have any questions, please feel free to contact any of the following attorneys:

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