

## **INTRODUCTION TO THE 1999 ISDA CREDIT DERIVATIVES DEFINITIONS**

The 1999 ISDA Credit Derivatives Definitions (the “Definitions”) are intended for use in confirmations of individual transactions (“Confirmations”) governed by agreements such as the 1992 ISDA Master Agreements published by the International Swaps and Derivatives Association, Inc. (“ISDA”). Copies of the ISDA Master Agreements are available from the executive offices of ISDA. A sample form of Confirmation for use with the Definitions is attached as an Exhibit to these Definitions.

The Definitions are primarily an expansion and revision of the 1998 Confirmation of OTC Credit Swap Transaction (Single Reference Entity, Non-Sovereign) (the “Long Form Confirmation”). They provide the basic framework for the documentation of certain privately negotiated credit derivative transactions. For ease of use, certain sections of the Definitions provide fallback provisions that will apply to a transaction if the parties do not specify otherwise in the Confirmation.

As in the case of other product-specific definitions published by ISDA, parties using these Definitions to document privately negotiated credit derivative transactions may adapt or supplement the standard provisions set out in these Definitions in accordance with the specific economic terms agreed between the parties to the relevant transaction.

The provisions of these Definitions were developed by a working group of ISDA member institutions, including most of the leading participants in the privately negotiated credit derivatives market. The Definitions were developed by the working group based, as far as possible, on market practice in that market. Inevitably, in certain areas, market practice has not been uniform. Each member of the working group has, where appropriate, sought the views of its own trading, operational, legal, credit, compliance and other relevant personnel. None of this, however, obviates the need for each user of these Definitions to review the provisions of these Definitions carefully and to exercise its own independent judgment on the appropriateness of these Definitions for use in documenting privately negotiated credit derivative transactions.

These Definitions principally contemplate credit derivative transactions that reference loans or bonds, and may not contain all the necessary provisions for credit derivative transactions that reference or permit delivery of swaps or certain other payment obligations. These Definitions do not attempt to cover every type of credit derivative transaction that has or may be entered into. Parties may, however, find these Definitions a useful starting point when drafting a Confirmation for a product type not directly covered by these Definitions including, for example, credit derivative transactions that reference baskets of Reference Entities, total-return swaps or credit-linked notes. ISDA will consider developing supplements to these Definitions to address other types of credit derivative transactions.

ISDA has provided these Definitions to assist the smooth and efficient functioning of the credit derivatives market by providing a common set of terms for parties to use in preparing Confirmations for privately negotiated credit derivative transactions. *However, the precise documentation of each individual transaction remains the responsibility of the parties concerned. ISDA assumes no responsibility for any use*