

## USER'S GUIDE TO THE 1994 ISDA CREDIT SUPPORT ANNEX

### 1. GENERAL

#### A. Background

The 1994 ISDA Credit Support Annex (the "Annex") to which this User's Guide relates was prepared for use in documenting bilateral security and other credit support arrangements between counterparties for transactions documented under an ISDA Master Agreement 1/ that selects New York law as the governing law. The Annex assumes that New York law will govern questions of perfection and priorities relating to pledged collateral. 2/ Parties wishing to select a different governing law or who will be pledging collateral under circumstances where New York law will not govern these questions should consult counsel and consider whether any modifications will be required to the Annex.

Capitalized terms not defined in this Guide have the meanings specified for such terms in the Annex or the ISDA Master Agreement, as applicable.

#### B. Structure

The Annex is intended to supplement and form part of the Schedule to the ISDA Master Agreement to which it relates and is designated as a "Credit Support Document" for purposes thereof. Parties to an ISDA Master Agreement should not, however, be identified as Credit Support Providers with respect to the Annex, as such term is intended only to apply to third parties. The Annex may be added to an existing Schedule to an ISDA Master Agreement through a short-form amendment, including by way of a Confirmation (*see* Section II). A form of amendment agreement that may be used to add the Annex to an existing ISDA Master Agreement (and replace an existing credit support arrangement) is set forth as Appendix A to this User's Guide. The chart illustrates how the Annex fits within the general ISDA documentation structure.

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1/ The Annex may be used with any of the ISDA master agreements published to date. These master agreements include the 1992 ISDA Master Agreement (Multicurrency--Cross Border), the 1992 ISDA Master Agreement (Local Currency--Single Jurisdiction), the 1987 ISDA Interest Rate and Currency Exchange Agreement and the 1987 Interest Rate Swap Agreement (each referred to herein as the "ISDA Master Agreement"). Parties to either 1987 Master Agreement should consult Appendix G of this Guide for suggested technical modifications to the Annex.

2/ Substantially similar Federal regulations govern the perfection of security interests in book-entry securities of the various types that may be pledged under a typical security agreement. Each of these regulations expressly preempts inconsistent state law and provides, in effect, that a security interest in a Federal book-entry security may be perfected only by the procedures required "under applicable law" for securities maintained "in bearer definitive form". *See, e.g.*, Federal National Mortgage Association Regulations, 24 C.F.R. § 81.44(b). In the context of the delivery of collateral to an agent or secured party located in New York City that maintains an account with the Federal Reserve Bank of New York, "applicable law" means the New York law applicable to certificated securities.