

USER'S GUIDE TO THE 2001 ISDA MARGIN PROVISIONS

I. GENERAL

A. Overview

The 2001 ISDA Margin Provisions (the "Provisions"), published by the International Swaps and Derivatives Association, Inc. ("ISDA"), set out standard terms for a margin arrangement between two parties to an agreement relating to financial transactions.

While intended by ISDA primarily for use with an ISDA Master Agreement,¹ the Provisions were deliberately drafted to make it possible to use them with other forms of agreement not published by ISDA. References below to an "Agreement", unless context indicates otherwise, are to any master agreement, including the ISDA Master Agreement, to which a Supplement incorporating the Provisions relates. References to "Close-out Date" are, in relation to an ISDA Master Agreement, to an Early Termination Date and, in relation to a non-ISDA Agreement, to a date on which all Obligations under that Agreement have been accelerated, terminated, liquidated or cancelled as a result of an Event of Default or Specified Condition. Users should consult their legal advisers in relation to the suitability of the Supplement for use with an Agreement other than the ISDA Master Agreement.

Note that the Provisions also allow for the possibility of collateralising the aggregate net exposure of a party under more than one Agreement. This possibility is discussed at various places in this Guide, but particularly, in Part II.D.1 and Part IV below.

A capitalised term used without definition in this Guide is intended to have the meaning given to that term in the Provisions or the ISDA Master Agreement, depending upon the context in which it is used.

Parties may create a margin arrangement using the Provisions by entering into a 2001 ISDA Margin Supplement (the "Supplement") incorporating these Provisions. A form of Supplement is set out in Appendix A to the Provisions.

The Supplement forms part of, and is governed by, the Agreement to which it relates. Because it incorporates the Provisions, it is a relatively short form. To complete the Supplement, the parties need to make various elections and to specify other information. The Provisions describe the elections to be made and the information to be specified. The parties may also modify or add to the Provisions in the Supplement. Specific guidance on completing the Supplement is given in Part IV below.

¹ The Provisions may be used with either of the two forms of master agreement published by ISDA in 1992, the ISDA Master Agreement (Multicurrency - Cross Border) and the ISDA Master Agreement (Local Currency - Single Jurisdiction). The Provisions may also be used with the two forms of master agreement published in 1987, the ISDA Interest Rate and Currency Exchange Agreement and the ISDA Interest Rate Swap Agreement. However, in the case of the 1987 forms, some additional drafting will probably be necessary, especially if the parties wish to elect the title transfer approach under English law (as discussed below in this Guide).