

*Purpose: The Trade Life Cycle Events Guide for Non-Cleared Margin was initially established and agreed by market participants through a series of discussions held within the ISDA WGMR Margin and Collateral Processing and Portfolio Integrity Workstreams in 2016. The workstreams were comprised of a wide array of market participants from buy and sell side institutions. The working group both identified and agreed the list of trade events as well as agreed to the general consensus captured in the below matrix as to whether or not these identified trade events would bring a legacy non cleared swap transaction into scope for the new margin rules. The intention of this list is to provide an agreed market guide for firms to utilize in order to comply with certain aspects of the non cleared margin rules within their respective jurisdictions. No firm is legally bound or compelled in any way to follow any determinations made within this list.*

*Please see the legal disclaimers below for further details.*

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2019.

**ISDA Trade Life Cycle Events Guide for Non Cleared Margin**

| Category                            | Trade Event  | Detail  | * Bring into scope for Un-cleared margin?<br>Yes or No<br>(Working Group Consensus View) | Notes  | Does M&CP Consensus Align With Clearing Y/N |     |
|-------------------------------------|--|---|--|--|---|-----|
| <b>Amendments and Cancellations</b> | Amendment (i.e. Correction)  | Amending details that were originally input incorrectly.                        | No   |  | Y   |     |
|                                     | Economically Immaterial Amendment  |   | No (no change in pricing)  |  | Y   |     |
|                                     | Economically Material Amendment  |   | Yes (change in pricing)  |  | N   |     |
|                                     | Cancellation   | Trade booked in error and subsequently cancelled.                               | No   |  | Y   |     |
| <b>Trade events</b>                 | New Trade which is In-scope Product (post-compliance date)   |   | Yes  |  | N/A   |     |
|                                     | New Trade which is Out-of-scope Product (post-compliance date)   |   | No   |  | N/A   |     |
|                                     | New Trade which is Out-of-scope Product in one jurisdiction and In-scope Product for another jurisdiction (post-compliance date) |   | Yes, for the entity subject to the regulatory regime where the product is in-scope.      | The CSA specifies applicable regimes per the two counterparties.   | N/A   |     |
|                                     | Increase   | A bilaterally executed agreement to increase the notional on the transaction.   | Yes  | Generally, firms seem to feel the entire trade comes into scope.   | N   |     |
|                                     | Full Termination   | Full Unwind   | No   |  | Y   |     |
|                                     | Partial Termination  | Partial Unwind  | No   | The partial unwind would not bring the remaining portion of the trade into scope. (Similar as under clearing mandate logic.) | Y   |     |
|                                     | Allocation   | Original Unallocated "Block" Trade allocated to principal parties post go live. | No   | Yes for allocations of trades entered into post-effective date.  | N/A   |     |
|                                     | Cleared Positions  | Original Bilateral Trade (the "alpha" trade), post-compliance.                  | No   |  |   | N/A |
|                                     |  | Cleared Position ("beta" and "gamma" trades)                                    | No   |  |   | N/A |
|                                     | Full Novation  | Remaining party   | Yes  | No, if the remaining party and the step-in party are eligible for an inter-affiliate exemption.                              | Y   |     |

| Category          | Trade Event          | Detail   | * Bring into scope for Uncleared margin?<br>Yes or No<br>(Working Group Consensus View) | Notes   | Does M&CP Consensus Align With Clearing Y/N  |
|-------------------|----------------------|--|---|---|--|
| Trade events      |                      | Step in  | Yes   | No, if the remaining party and the step-in party are eligible for an inter-affiliate exemption. | Y  |
|                   |                      | Step out   | No  |   | Y  |
|                   | Partial Novation     | Remaining party  | Yes   | No, if the remaining party and the step-in party are eligible for an inter-affiliate exemption. | Y  |
|                   |                      | Step in  | Yes   | No, if the remaining party and the step-in party are eligible for an inter-affiliate exemption. | Y  |
|                   |                      | Step out   | No  |   | Y  |
|                   | Swaption Exercise    | Exercise of a Swaption/Resulting Swap from the exercise of a Swaption. | No  |   |  |
|                   | Compression Event    | Original Trade - Terminated  | No  |   | Y  |
|                   |                      | Original Trade - Amendment   | No  |   | Y  |
|                   |                      | New resultant trade  | Yes   | No, if all trades within an industry-wide run compression were legacy trades.                   | Yes - Any contract in a clearing obligation product which is entered into or novated between in-scope counterparties after the clearing obligation is in force must be cleared. This is regardless of whether the contract results from a compression exercise or similar. |
|                   | Cash Settlement      | The actual cash settlement of fees, payments, etc.                     | No  |   | Y  |
| Intrinsic changes | Amortizing Notionals | Changes to the notional during the course of a trade.                  | No  | If pursuant to the original contract terms.   | Y  |
|                   | Dividend Resets      |  | No  | If pursuant to the original contract terms.   | N/A  |
|                   | Equity Resets        |  | No  | If pursuant to the original contract terms.   | N/A  |
|                   | Rate Resets          | Changes to the floating rate of a trade                                | No  | If pursuant to the original contract terms.   | Y  |

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|----------|-------------------------------------|---|---|--|---|
| Other    | Successor Events                    | The reference entity specified in the transaction is succeeded by another entity.   | No  | If pursuant to the original contract terms.  | N/A   |
| Other    | Credit Events                       | Default on a transaction e.g., bankruptcy/restructuring/ obligation default.  | No  | If pursuant to the original contract terms.  | Y   |
| Other    | Corporate Actions                   | Including:  | No, assuming related to the underlying equity.  | If pursuant to the original contract terms.  | N/A   |
|          |                                     | Bonus Issue/Capitalisation issue  |   | If pursuant to the original contract terms.  | N/A   |
|          |                                     | Special Dividend  |   | If pursuant to the original contract terms.  | N/A   |
|          |                                     | Spin-Off  |   | If pursuant to the original contract terms.  | N/A   |
|          |                                     | Stock Split/Change in nominal value   |   | If pursuant to the original contract terms.  | N/A   |
|          |                                     | Reverse Stock split/Change in nominal value   |   | If pursuant to the original contract terms.  | N/A   |
| Other    | Conversions                         | Parties mutually agreeing and consenting to a conversion post-compliance date which results in a material amendment. Would not include a conversion documented pre-compliance date as an event due to take place in the future (i.e. post-compliance date). Example would be swap on an ADR that is converted to swap on the underlying stock as agreed by both parties, or a stock is dual listed and is converted from a GBP line to a HK line as agreed by both parties. | Yes   | No, if option to convert is negotiated pre-compliance date. Yes, if post-compliance date, you amend swap originally referencing ADR to instead reference the underlying stock. | N/A   |
| Other    | Publicly Traded / Listed Swap Index | Swap is removed/changed in the index by the administrator of the index (i.e. not at the discretion of the dealer or counterparty). Example would be quarterly roll for index CDS. Would not include rebalancing of the index.   | No  |  | N/A   |

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|----------------|---|--|---|--|---|
| Other          | Customized Basket Index Swap  | Constituents of the basket are changed at the discretion of the dealer or counterparty.<br>Example would be rebalancing the basket by closing a swap on an old ticker and booking that swap on a new ticker. | Yes   |  | N/A   |
| Other          | Reference Entity Succession Event                                     |  | No  | If pursuant to original contract terms (i.e., no change in pricing).   | N/A   |
| Portfolio Swap | Addition of Reference Underlyer to Long Portfolio or Short Portfolio  | Creation of a new swap contract on Security XYZ.   | Yes   | No, if initial agreement allowed addition or removal.<br>If making changes that result in notional neutral additions and removals or additions which might increase the notional but remain within the maximum notional originally agreed for the portfolio swap, then that should not bring the transaction into scope of the margin requirements as long as the decisions are made unilaterally in accordance with the original terms of the portfolio swap. | N/A   |
| Portfolio Swap | Removal of Reference Underlyer from Long Portfolio or Short Portfolio | Partial or full termination of existing swap contract on Security XYZ.   | No  | If making changes that result in notional neutral additions and removals or additions which might increase the notional but remain within the maximum notional originally agreed for the portfolio swap, then that should not bring the transaction into scope of the margin requirements as long as the decisions are made unilaterally in accordance with the original terms of the portfolio swap.  | N/A   |

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|----------------|--|--|---|---|---|
| Portfolio Swap | Increase in Notional Amount for Existing Reference Underlyer | Increasing long or short exposure to Security XYZ.                             | Yes   | If making changes that result in notional neutral additions and removals or additions which might increase the notional but remain within the maximum notional originally agreed for the portfolio swap, then that should not bring the transaction into scope of the margin requirements as long as the decisions are made unilaterally in accordance with the original terms of the portfolio swap. | N/A   |
| Portfolio Swap | Decrease in Notional Amount for Existing Reference Underlyer | Decreasing long or short exposure to Security XYZ in a portfolio swap wrapper. | No  | If making changes that result in notional neutral additions and removals or additions which might increase the notional but remain within the maximum notional originally agreed for the portfolio swap, then that should not bring the transaction into scope of the margin requirements as long as the decisions are made unilaterally in accordance with the original terms of the portfolio swap. | N/A   |

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