



ISDA Publishes Framework to Prepare for Close Out of Derivatives Contracts

NEW YORK, June 27, 2024 – The International Swaps and Derivatives Association, Inc. (ISDA) has published a new interactive digital framework that market participants can use to help prepare for potential terminations of collateralized derivatives contracts.

Launch of the ISDA Close-out Framework is in response to the March 2023 failure of Signature Bank and SVB in the US, which highlighted the complexities of potentially terminating over-the-counter derivatives trading relationships following various post-crisis regulatory reforms. Specifically, in-scope entities are now required to post margin for non-cleared derivatives transactions, while various jurisdictions have introduced mandatory stays on termination rights and remedies as part of bank resolution regimes.

The ISDA Close-out Framework is intended to be used as a preparatory resource to help firms coordinate internal business functions and stakeholders and internal and external legal, operational, risk management, infrastructure and other relevant service providers to ensure they are adequately prepared for any potential future stress events.

The framework includes high-level analysis of the default mechanics and collateral enforcement provisions in ISDA documentation, along with additional commentary on bank resolution legislation in the US and Europe.

“Recent stress events have drummed home that terminating a portfolio of derivatives trades is now much more complex as a result of regulatory reforms. The introduction of mandatory margining and segregation requirements, alongside the implementation of bank resolution regimes, means firms need to be able to quickly respond to complex legal and operational issues that will require input from different teams across the organization. The ISDA Close-out Framework provides an essential interactive tool that firms can use to prepare ahead of any potential stress event,” said Katherine Tew Darras, ISDA’s General Counsel.

The ISDA Close-out Framework is available here: <https://close-out.isda.org/#/>.

Further information on the ISDA Close-out Framework is available here: <https://assets.isda.org/media/5e46315f/06731822.pdf>

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on [LinkedIn](#) and [YouTube](#).