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ISDA Publishes ISDA 2014 Credit Derivatives Definitions

NEW YORK, February 21, 2014 – The International Swaps and Derivatives Association, Inc. (ISDA) announced today the publication of the 2014 ISDA Credit Derivatives Definitions, a revised version of the 2003 ISDA Credit Derivatives Definitions that contains the basic terms used in the documentation of most credit derivatives transactions.

The 2014 ISDA Credit Derivatives Definitions introduce several new terms, including:

- Bail-in/financial terms for credit default swap (CDS) contracts on financial reference entities: incorporates a new credit event triggered by a government-initiated bail-in and a provision for delivery of the proceeds of bailed-in debt or a restructured reference obligation, and more delineation between senior and subordinated CDS.

- Sovereign CDS asset package delivery for CDS contracts on sovereign reference entities: introduces the ability to settle a credit event by delivery of assets into which sovereign debt is converted.

- Standard reference obligation: allows for the adoption of a standardized reference obligation across all market-standard CDS contracts on the same reference entity and seniority level.

In addition to these new terms, the 2014 ISDA Credit Derivatives Definitions contain several amendments to standard credit derivatives trading terms, including: upgrading provisions dealing with transfers of debt to successor reference entities; expanding the scope of guarantees that can be hedged with CDS; rationalizing the treatment of contingent debt and guarantee obligations; addressing currency redenomination issues; and adjustments to the restructuring settlement mechanism.

A working group under the ISDA Credit Steering Committee began work on revisions to the Credit Derivatives Definitions in May 2012. This work resulted in a number of concept proposals that were reviewed by ISDA's Credit Derivatives Market Practice Committee, as well as the publication of a high-level description of proposed changes. ISDA published a pre-publication draft of the revised ISDA Credit Derivatives Definitions in November 2013, which was followed by a one-month review and comment period from the broader market.

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The 2014 ISDA Credit Derivatives Definitions do not apply automatically to credit derivatives transactions. On February 3, ISDA announced that its Credit Steering Committee had determined that the appropriate implementation date for the new Definitions would be the September 2014 CDS roll date. ISDA expects market participants to begin confirming transactions using the 2014 Credit Derivatives Definitions starting on the implementation date. The Definitions will only apply if parties reference them in their trade documentation for new trades, or agree to amend the documentation for existing transactions via the use of a protocol.

The 2014 ISDA Credit Derivatives Definitions are available on the Credit Derivatives Definitions, Supplements and Commentaries section of ISDA's Bookstore.

For Media Enquiries, Please Contact:
Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org
Nick Sawyer, ISDA London, +44 203 088 3586, nsawyer@isda.org
Donna Chan, ISDA Hong Kong, +852 2200 5906, dchan@isda.org

About ISDA

Since 1985, ISDA has worked to make the global over-the-counter (OTC) derivatives markets safer and more efficient. Today, ISDA has over 800 member institutions from 62 countries. These members include a broad range of OTC 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 including exchanges, clearinghouses 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 web site: www.isda.org.