

ISDA 2022 Russia Additional Provisions Protocol

Open from April 4, 2022 to April 27, 2022

ISDA has prepared this list of frequently asked questions to assist in your consideration of the ISDA 2022 Russia Additional Provisions Protocol (the **Protocol**).

THESE FREQUENTLY ASKED QUESTIONS DO NOT PURPORT TO BE AND SHOULD NOT BE CONSIDERED A GUIDE TO OR AN EXPLANATION OF ALL RELEVANT ISSUES OR CONSIDERATIONS IN CONNECTION WITH THE PROTOCOL. PARTIES SHOULD CONSULT WITH THEIR LEGAL ADVISERS AND ANY OTHER ADVISER THEY DEEM APPROPRIATE PRIOR TO USING OR ADHERING TO THE PROTOCOL. ISDA ASSUMES NO RESPONSIBILITY FOR ANY USE TO WHICH ANY OF ITS DOCUMENTATION OR OTHER DOCUMENTATION MAY BE PUT.

These frequently asked questions are divided into the following two sections:

- GENERAL QUESTIONS
- ADHERENCE PROCESS QUESTIONS

GENERAL QUESTIONS

1. Why was the Protocol created?

The Protocol is relevant for parties that have outstanding credit derivatives transactions referencing the Russian Federation or Gazprom Public Joint Stock Company (“Gazprom”), including referencing any index that contains the Russian Federation or Gazprom. These entities were included in various sanctions orders from Canada, the European Union, Japan, Switzerland, the United Kingdom and the United States of America (the “Sanctions Orders”), which generally prohibit transactions in future-issued debt obligations of the Russian Federation and other entities related to the Russian Federation (including Gazprom). We refer to debt that is covered by the Sanctions Orders and not permitted as “Restricted Debt”.

An important practical impact of the Sanctions Orders is that persons subject to the Sanctions Orders would not be able to deliver or receive Restricted Debt. Due to the broad scope of persons subject to the Sanctions Orders, this would make a CDS Auction that included Restricted Debt impractical. As a result of the Sanctions Orders, ISDA published new terms for transactions on the Russian Federation and Gazprom on March 25, 2022 (ISDA’s Additional Provisions for Certain Russian Entities: Excluded Obligations and Excluded Deliverable Obligations), which limit the scope of CDS contracts to debt obligations that are not Restricted Debt.

The Protocol allows parties to update their legacy transactions to apply the new terms, maintaining fungibility between legacy and new transactions and ensuring that the Sanctions Orders does not prevent legacy transactions from being included in any CDS Auction that might be held in future.

2. What are the new terms for Russian CDS trades?

As a result of the Sanctions Orders, ISDA published the Additional Provisions for Certain Russian Entities: Excluded Obligations and Excluded Deliverable Obligations (the “Russia Sanctions Additional Provisions”) on March 25, 2022. The Russia Sanctions Additional Provisions created new terms for CDS transactions on Reference Entities affected by the Sanctions Orders, by excluding Restricted Debt from the scope of “Obligations” and “Deliverable Obligations”. The exclusion means that the debt that can trigger a Credit Event or be delivered in a CDS Auction is explicitly limited to debt that is issued before February 24, 2022 or, if issued after February 24, 2022, is not restricted by the Sanctions Orders.

ISDA understands that no new debt obligations have been issued for the entities covered by the Russia Sanctions Additional Provisions, and therefore none of the bonds currently issued by those entities are excluded by the Russia Sanctions Additional Provisions. However it is possible that other debt obligations that are Restricted Debt could be issued, therefore the explicit limitation is needed to ensure that a CDS Auction would work in practice going forward.

3. Do the new Russia Sanctions Additional Provisions already apply to transactions?

No. While ISDA published the Russia Sanctions Additional Provisions on March 25, 2022, it has not yet published a new version of the ISDA Credit Derivatives Physical Settlement Matrix (the “Physical Settlement Matrix”), which will add the Russia Sanctions Additional Provisions into the relevant Transaction Types for new trades. ISDA will publish the new version of the Physical Settlement Matrix on the Implementation Date of the Protocol, which is currently anticipated to be May 2, 2022. This will ensure new trades and legacy trades apply the new terms on the same date.

4. How does the Protocol apply the Russia Sanctions Additional Provisions to legacy transactions?

The Protocol allows parties to add the Russia Sanctions Additional Provisions to various types of credit derivative transactions, including both index and single-name transactions. As noted above, it would be impractical to hold a CDS Auction referencing Restricted Debt. The new Physical Settlement Matrix terms will apply the Russia Sanctions Additional Provisions to certain types of transactions entered into after the Implementation Date, such as single-name CDS, but it will not affect any outstanding transactions. The Protocol was published to allow legacy transactions and transactions on legacy index series to be covered by the new terms. By amending transactions on older Series of affected indices, it allows new trades on legacy Series to move to the new terms, retaining fungibility of all standard transactions on a single Series.

The Protocol only applies the Russia Sanctions Additional Provisions to transactions on the Russia Federation and Gazprom. These are the only entities ISDA is aware of that are affected by the Sanctions Orders and are referenced in a material volume of CDS transactions. Limiting the Protocol to these two Reference Entities provides clarity on the transactions covered by the Protocol.

5. What transactions are covered by the Protocol?

The Protocol covers a broad range of credit derivatives transactions that have either the Russian Federation or Gazprom as a Reference Entity, entered into before the Implementation Date of the Protocol. It also covers new transactions on legacy Series of the Protocol, until the parties trade on new index documents that incorporate the Russia Sanctions Additional Provisions directly.

6. How are cleared transactions affected by the Protocol?

It is not anticipated that CCPs will adhere to the Protocol, however CCPs are expected to reflect the Protocol changes in their clearing rules. For details, please contact the relevant CCP.

ADHERENCE PROCESS QUESTIONS

1. Is there a closing date for adherence to the Protocol?

Yes. The cut-off date for adherence to this Protocol was April 20, 2022 and has been extended to April 27, 2022.

2. How do I submit my Adherence Letter?

Each entity executing an Adherence Letter will access the Protocol Management section of the ISDA website at www.isda.org to enter information online that is required to generate its form of Adherence Letter. Either by directly downloading the populated Adherence Letter from the Protocol Management system or upon receipt via e-mail of the populated Adherence Letter, the entity must print, sign and upload the signed Adherence Letter as a PDF (portable document format) attachment into the Protocol Management system. Once the signed Adherence Letter has been approved and accepted by ISDA, the Protocol adherent will receive an e-mail confirmation of the Protocol adherent's adherence to the Protocol.

ISDA keeps the executed copy of the Adherence Letter for its files and does not share the executed copy with anyone else. Please do not send your original Adherence Letter(s) by mail to ISDA.

3. Can entities that are not ISDA members sign up to the Protocol?

Yes. The Protocol is open to any entity. ISDA members and non-ISDA members alike adhere to the Protocol in the same way.

4. What is a conformed copy?

A conformed copy of the Adherence Letter means that the name of the authorized signatory (for example, Patricia Smith) is typed rather than having Patricia Smith's actual signature on the letter. ISDA only posts on its website the conformed copy of all Adherence Letters. A conformed copy of each Adherence Letter containing, in place of each signature, the printed or typewritten name of each signatory will be published by ISDA so that it may be viewed by all Protocol Participants.

5. Who is an authorized signatory?

An authorized signatory to the Adherence Letter is an individual who has the legal authority to bind the adhering institution.

6. Can I change the text of the Adherence Letter?

No. The Adherence Letter must be in the same format as the form of letter published in the Protocol and generated by the Protocol Management webpage.

7. Are there any costs to adhere to the Protocol?

Yes. Each party adhering to the Protocol must submit a one-time fee of U.S. \$500 to ISDA at or before the submission of its Adherence Letter. Adhering Parties should review the documents to be amended to identify the entity that signed the documents, and the capacity in which such entity signed the documents, to determine which entity submits the Adherence Letter. For example, if a parent company/agent has signed the agreement on behalf of all entities within the group, then only the parent company/agent needs to adhere. However, if each group entity has its own agreement in place which it has itself executed as principal, then each such entity would need to adhere.

Each individual legal entity is considered a separate Adhering Party for this purpose and would need to pay the adherence fee, except that an Investment/Asset Manager/Agent that adheres on behalf of one or more underlying funds or principals for whom it has entered into a Protocol Covered Collateral Agreement, using a single Adherence Letter, would only pay a single adherence fee for that Adherence Letter.

8. Can I revoke my participation in the Protocol?

Yes. Parties have the right to revoke their adherence by submitting a written revocation notice in the form set out in the Protocol. Any revocation notice must be submitted by the revocation deadline (12pm NY time on Thursday, April 28, 2022). Although the cut-off date, and thus the revocation deadline, can be extended in certain circumstances set out in the Protocol (and was extended by ISDA on April 20th), if the cut-off date is not further extended, it will not be possible to revoke adherence after 12 pm NY time on April 28, 2022.

9. Do I need to enter a Legal Entity Identifier (LEI)?

Yes, you must enter an LEI number to adhere to this protocol. An LEI number must be in the correct format (20 alphanumeric characters A-Z/0-9). If we cannot verify the LEI number you do have the option to continue with your adherence by clicking the “Proceed with unverified Pre-LEI/LEI” checkbox.

10. What is an LEI number?

An LEI number is a Legal Entity Identifier ("LEI") that should correspond directly to the True/Legal Name of the adhering entity. LEIs are issued by “Local Operating Units” (LOUs) of the Global LEI System.

11. Do I need to enter a DTCC Account Number?

This is an optional field, however market participants are strongly encouraged to enter this number(s) for reconciliation purposes for each adhering entity. So if you are listing several funds, you should provide a DTCC number in the field provided for each fund. If you don't know your DTCC Participant Account(s) there are a few options on obtaining this information. You can receive this information by contacting your Super Access Coordinator within your firm or you can email DerivSERV Operations at DerivSERV_Operations@dtcc.com.

SPECIAL CONSIDERATIONS FOR INVESTMENT/ASSET MANAGERS

12. What if I am an investment or asset manager, and not all of my discretionary management agreements permit me to amend my client's agreements?

If you are an investment or asset manager and act on behalf of multiple funds (each referred to here as a “client”), you may sign the Adherence Letter using one of the options below.

If you have authority to adhere on behalf of all of your clients but do not wish to identify them on the Adherence Letter, you may do so by selecting “Investment/Asset Manager/or other agent on behalf of a fund/multiple funds/or other principal” from the dropdown under “Adherence Type” and naming the Investment/Asset Manager/Agent. Standard language “acting on behalf of the funds, accounts or other principals listed in the relevant Agreement (or other agreement which deems an Agreement to have been created) between it (as agent) and another Adhering Party” will be provided for you.

If you do not have authority from all your clients (or do have authority from all your clients and wish to identify them), you can adhere on behalf of those clients whose permission you have by selecting “Investment/Asset Manager/or other agent on behalf of some but not all funds/or other principal it represents” and naming the Investment/Asset Manager/Agent. Standard language “acting on behalf of the funds, accounts or other principals listed in the appendix to this Adherence Letter in relation to the relevant Agreement (or other agreement which deems an Agreement to have been created) between it (as agent) on behalf of such fund, account or other principal and another Adhering Party” will be provided for you. You must then list the fund name(s) by either naming each in the field provided (“Name of Fund”) or selecting “Add more than 10 funds” and downloading a list of these funds.

The appendix to your Adherence Letter can either name the clients, or identify them with a unique identifier which will be known and recognized by all other Adhering Parties with which the relevant clients have entered into transactions. The appendix to your letter will be posted on the ISDA website with your Adherence Letter listing the clients or, if you have more than ten clients, we will add a link to a document listing these clients.

If you are using the second method above, any agreements or transactions which you enter into on behalf of clients that are not listed in your Adherence Letter(s) will not be covered by the Protocol. If you wish to implement the changes contained in the Protocol in those agreements or transactions, then you and the relevant counterparty would need to enter into a bilateral agreement to amend those Protocol Covered Agreements to include those changes.

If (a) you do not have authority from any of your clients or (b) you have authority from some clients only but you are not able to disclose such clients whether by name or a unique identifier, you cannot adhere to the Protocol on behalf of any such clients. In this case, you will need to enter into a bilateral amendment agreement with each relevant counterparty listing the clients whose agreements or transactions with that counterparty will be amended by incorporating the amendments made by the Protocol.

If you wish to adhere on behalf of clients, you must ensure that you have the authority to do so from all clients on whose behalf you enter into transactions covered by the Protocol.