

Landmark Change in Interest Rate Derivatives Market as New Definitions Take Effect

NEW YORK, October 4, 2021 – The International Swaps and Derivatives Association, Inc. (ISDA) has today announced the implementation of its new standard definitional booklet for interest rate derivatives, designed to ensure ISDA’s documentation keeps pace with changes in market practice, regulation and technology.

The 2021 ISDA Interest Rate Derivatives Definitions represent the first major overhaul of the definitional booklet since 2006 and are the first to be published in purely digital form, creating significant efficiencies in how firms use and interact with the definitions.

The new definitions consolidate the nearly 90 supplements to the 2006 ISDA Definitions into a single electronic booklet, reducing complexity and the potential for error. In the future, ISDA will republish a revised digital version of the 2021 Definitions in full each time updates are required, eliminating the need for further PDF or paper supplements.

The 2021 Definitions introduce a number of other important updates and enhancements, reflecting changes in convention and advances in technology, including:

- The ability to easily compare and highlight changes between different versions of the 2021 Definitions via ISDA’s new electronic documentation platform, [MyLibrary](#).
- The methodology used to determine a cash settlement amount for swaptions and trades subject to early termination has been replaced to align with current collateral and valuation practices.
- The naming conventions for floating rate options have been amended to make them more standardized, with the publication source removed as a defining characteristic to help streamline the definitions.
- Certain payment and calculation provisions have been revised to make the definitions more robust in the face of market closures.
- A new fallback trigger has been introduced that would take effect if a party is prohibited from using a benchmark to perform its obligations. Generic fallbacks have also been added for those floating rate options without existing fallback arrangements, complementing the existing ISDA fallbacks for interbank offered rates.
- The calculation agent provisions have been modified, with the addition of a framework for disputing determinations made under the cash settlement and generic fallback methodologies.

“The 2006 ISDA Definitions have played a pivotal role in the interest rate derivatives markets for the past 15 years, but wading through a definitional booklet plus 586 pages of amendments via nearly 90 supplements is no longer sustainable. The new 2021 ISDA Interest Rate Derivatives Definitions brings the interest derivatives market up to date and into the digital age, enabling firms to easily access and navigate a consolidated set of definitions in electronic form,” said Scott O’Malia, ISDA’s Chief Executive.

“LCH is a strong supporter of the 2021 ISDA Interest Rate Derivatives Definitions. Given the increased electronication of markets since the last major definitional overhaul, we commend ISDA for using the publication of the 2021 Definitions to reinforce standardization, drive messaging fidelity and efficiency, accommodate flexibility in interest rate derivatives markets and anticipate future market changes,” said Susi de Verdelon, Group Head of SwapClear and Listed Rates, LCH Ltd.

“The 2021 ISDA Interest Rate Derivatives Definitions introduce some important changes to reflect current market practices and bring the industry standard documentation up to date. MarkitServ is proud to have worked with ISDA and market participants to ensure our key industry infrastructure was ready to support this critical transition,” said Guy Gurden, Global Head of MarkitServ Rates Product Management at OSTTRA.

Implementation comes four months after the 2021 ISDA Interest Rate Derivatives Definitions were published, and follows 18 months of consultation and feedback from buy- and sell-side market participants.

Most major central counterparties have announced they will reflect the 2021 Definitions in their rules from today. ISDA expects implementation in the non-cleared derivatives market to be phased in over time, in line with the experience of other definitional booklet launches. However, ISDA will no longer support or update the 2006 ISDA Definitions from October 4.

The 2021 ISDA Interest Rate Derivatives Definitions are available [here](#).

Click [here](#) for more information on the key changes in the 2021 Definitions and [here](#) to visit the 2021 Definitions web page. A timeline for the development of the 2021 Definitions is available [here](#).

For Press Queries, Please Contact:

Nick Sawyer, ISDA London, +44 20 3808 9740, nsawyer@isda.org

Lauren Dobbs, ISDA New York, +1 212 901 6019, ldobbs@isda.org

Joel Clark, ISDA London, +44 20 3808 9760, jclark@isda.org

Christopher Faimali, ISDA London, +44 20 3808 9736, cfaimali@isda.org

Nikki Lu, ISDA Hong Kong, +852 2200 5901, nlu@isda.org

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 960 member institutions from 78 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 [Twitter](#), [LinkedIn](#), [Facebook](#) and [YouTube](#).