

## **ISDA Publishes Updated Model Netting Act**

**NEW YORK, October 16, 2018** – The International Swaps and Derivatives Association, Inc. (ISDA) has published an update of its Model Netting Act, designed to provide a template that can be used by jurisdictions considering legislation to ensure the enforceability of close-out netting.

The Model Netting Act draws on ISDA’s 30 years of experience of working with policy-makers and regulators across the globe on close-out netting legislation, and provides guidance and model provisions for those legislators looking to increase legal certainty under local law for netting. The 2018 act and accompanying guide expand upon previous versions, with updates to reflect the widespread adoption of bank resolution regimes, the introduction of mandatory margin requirements and the growth of Islamic finance.

Close-out netting enables firms to terminate outstanding transactions with a counterparty following an event of default and calculate the net amount due to one party by the other. Without close-out netting, firms would need to manage their credit risk on a gross basis, dramatically reducing liquidity and credit capacity.

Regulators allow close-out netting to be recognized as risk-reducing for the purposes of regulatory capital requirements, so long as there is a high degree of legal certainty over the enforceability of close-out netting under the local law in each jurisdiction – hence the importance of netting legislation.

“Close-out netting is the single most important risk mitigation tool in derivatives markets, and results in drastically lower credit exposures between counterparties. We believe the development of close-out netting legislation creates more certainty for financial institutions, and encourages more participation. Once these elements are introduced, the conditions are in place for local derivatives markets to thrive,” said Katherine Tew Darras, ISDA’s General Counsel.

ISDA has long campaigned for netting certainty, and has worked with authorities across the globe to help them draft legislation on the enforceability of close-out netting and collateral arrangements. ISDA has published netting opinions on more than 70 countries. The act and guide reflect various international legal and regulatory standards on netting, and include a list of jurisdictions that have enacted netting legislation or are in the process of doing so.

The [2018 Model Netting Act and Guide](#) is available on the ISDA website. A [webinar](#) that explains the act and guide and more detail is also available.

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**About ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 70 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](http://www.isda.org). Follow us on Twitter @ISDA.

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