

ISDA plans to launch the 2023 ISDA Equity Swap Protocol (the “Protocol”) in September 2023, allowing adhering parties to incorporate the 2021 ISDA Interest Rate Derivatives Definitions (the “2021 Definitions”) to relevant Equity Swap documentation.

1. Why has ISDA published a new interest rate definitional booklet?

Since the 2006 ISDA Definitions were published 17 years ago, there have been numerous changes in market structure, regulations, technology, and market practice. Important lessons have also been learned from various unscheduled market closures. While ISDA has published over 90 supplements to keep the 2006 ISDA Definitions current, this has led to the definitional booklet becoming unwieldy and difficult to use. The 2021 Definitions consolidated these supplements into the main book, as well as making other necessary updates.

2. Why should I adopt the 2021 Definitions?

The 2021 Definitions will be regularly updated to reflect various changes in market practices. As at the end of March 2023, there have been 8 versions of the 2021 Definitions published since the first version dated June 2021.

Importantly, ISDA has stopped updating the 2006 Definitions after implementation in October 2021. Market participants are therefore encouraged to use the 2021 Definitions to benefit from future evolutions of ISDA’s interest rate definitions.

The 2021 Definitions are available in MyLibrary ([link](#)).

3. What is the advantage of adopting the 2021 Definitions from an Equity Swap perspective?

Generally, the 2006 ISDA Definitions would apply to the Floating Amount terms of an Equity Swap, while non-Floating Amount terms would be governed by the 2002 ISDA Equity Derivatives Definitions.

By updating Equity Swap documentation to reference the 2021 Definitions, parties will be able to automatically incorporate the latest version of the 2021 Definitions as of the trade date of relevant Equity Swap transactions. This will allow parties to capture the latest updates to the Floating Rate Options (“FROs”) as of the trade date of the Equity Swap transaction, including corresponding fallback provisions, into their documentation and to leverage the latest industry-standard terminology.

By contrast, parties who decide to stay on the 2006 Definitions may need to, upon entering into an Equity Swap transaction, bilaterally negotiate and define relevant FRO updates in their documentation.

In addition, parties who are active in the interest rate derivatives market, for which the transition to the 2021 Definitions is at a very advanced stage, would benefit from having consistency of terms, provisions and consequences across their interest rates derivatives-linked portfolios.

4. Why should I adhere to the 2023 ISDA Equity Swap Protocol?

Adhering to the Protocol is the most efficient way to incorporate the 2021 Definitions into relevant Equity Swap documentation, whereby all in-scope documentation is updated on one date, in a synchronized fashion with the industry.

Substantial uptake of the Protocol by market participants ahead of the Protocol Effective Date (see timelines below) will accelerate the transition process to the 2021 Definitions and may reduce the period whereby market participants are managing Equity Swaps under two sets of interest rates derivatives definitions.

5. What are the Protocol timelines?

As mentioned, ISDA plans to launch the Protocol in September 2023, and all parties will be able to adhere from this date. Parties should expect a two-month adherence period until November, allowing as many parties as possible to adhere ahead of the Protocol Effective Date (expected to be in mid-November 2023) and to perform for any internal systems' updates as required (e.g., paper and electronic confirmation systems updates). This approach will allow a greater number of adhering parties to synchronize their alignment with the 2021 Definitions on the same date. Parties will still be able to adhere to the Protocol after the Protocol Effective Date.

6. How can I adhere to the Protocol?

Parties will need to submit an Adherence Letter, which will be available on the [ISDA Protocol webpage](#) in due course. More information will be available on that webpage soon. For any questions, parties can email ISDA Market Infrastructure and Technology (MarketInfrastructureandTechnology@isda.org).