

ISDA Publishes Documentation to Align Derivatives and SFT Markets

NEW YORK, February 28, 2022 – The International Swaps and Derivatives Association, Inc. (ISDA) has published a new definitional booklet and related set of provisions designed to allow firms to document derivatives and securities financing transactions (SFTs) under a single ISDA Master Agreement.

Launch of the 2022 ISDA Securities Financing Transactions Definitions and SFT Schedule Provisions follow an [ISDA whitepaper](#) in October 2020, which highlighted significant opportunities for alignment between the two markets. A single agreement for both derivatives and SFTs will reduce complexity and duplication, create efficiency in documentation negotiation and management, and enable documentation updates to be rolled out consistently for both sets of products.

Using a single agreement will also result in expanded netting sets, helping firms to reduce credit risk and optimize their collateral use. ISDA will shortly commission updated netting opinions covering SFTs, with the first scheduled to be available later this year.

“The new SFT definitions and related provisions capture the unique features of SFT transactions and allow firms to customize their relationship for SFTs, while also enabling derivatives, repos and stock loans to be captured by a single close-out netting arrangement under an ISDA Master Agreement. Our next priority is to amend our netting opinions to cover SFTs, after which firms will be able to enter into new SFT and derivatives transactions with the confidence of enforceable close-out netting,” said Katherine Tew Darras, ISDA’s General Counsel.

“Publication of the ISDA SFT definitions and provisions is a very welcome step and gives firms the valuable option of documenting both derivatives and SFTs under a single ISDA Master Agreement. This has a number of potential benefits, including increased netting efficiencies for those firms active in both markets,” said John Ho, Head, Legal, Financial Markets at Standard Chartered.

Establishing common legal standards, terms and documentation will also help drive new technology innovations by applying terms consistently and at scale across derivatives and SFT markets.

“At a time when financial institutions are looking at ways to increase efficiency and cut costs, having a single legal agreement for derivatives and SFTs not only reduces duplication but establishes the foundation for greater automation and interoperability across those two markets. Once we amend our netting opinions to cover SFTs, we believe there will be a strong rationale for market participants to enter into SFT transactions under the ISDA Master Agreement,” said Scott O’Malia, ISDA’s Chief Executive.

The new SFT documentation was developed by an ISDA working group comprising members from both the buy and sell side. Law firm Linklaters worked with ISDA on the drafting of the definitional booklet and provisions.

The 2022 ISDA Securities Financing Transactions Definitions set the standard terms for SFT transactions, as well as amendments to certain provisions under the ISDA Master Agreement to account for the unique features of SFTs. The SFT Schedule Provisions enable counterparties to make certain elections for SFTs documented under an ISDA Master Agreement. Both are available [here](#).

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About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 970 member institutions from 77 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](#).

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