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2014 ISDA Credit Derivatives Definitions and Protocol Webcast

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Introduction

2014 ISDA Credit Derivatives Definitions

- Published February 2014
- Updates and enhances the current 2003 Definitions
- To be launched on September 22, 2014

ISDA 2014 Credit Derivatives Definitions Protocol

- Facilitates the launch of the 2014 Definitions
- Updates certain Protocol Covered Transactions to the 2014 Definitions
- Reduces the need to manage two sets of Definitions

2014 Definitions – key provisions

Key Areas of Revision:

- Financial Entities; Governmental Intervention (GI)*
- Asset Package Delivery (APD)*
- Standard Reference Obligation (SRO)
- Substitute Reference Obligation
- Qualifying Guarantees
- Successors
- Euro exit/currency redenomination
- MR/MMR Settlement

** Will not apply to existing transactions under the Protocol*

2014 Definitions Protocol

ISDA Protocol is a multilateral mechanism for amending contracts

- The amendments in the Protocol apply to "Protocol Covered Transactions" between adhering parties

The amendments in the 2014 Definitions Protocol:

- Apply the 2014 Definitions in place of the 2003 Definitions
- Provide transition rules for adoption of Standard Reference Obligations
- Disapply Asset Package Delivery for covered Sovereign Reference Entities

2014 Definitions Protocol - scope

"Protocol Covered Transactions"

- Includes single-name CDS, corporate/sovereign index CDS and other types of trades
- US Municipal, CDS on ABS and Loan-only CDS contracts are not covered

"Excluded Reference Entities"

- Specified on "Excluded Reference Entity List"
- Single name transactions are excluded from the Protocol
- Index and portfolio trades follow individual Reference Entity constituents

Financials – existing transactions

New Governmental Intervention and other special Financial Reference Entity terms only apply if specified

- These terms are not applied today in trading documentation
- Protocol does not amend trading documentation on this point
- Protocol excludes certain Financial Reference Entities where the new financial terms are expected to be adopted in September
- Result – *new financial provisions will not apply to any existing transactions*

Financials – new transactions

For new transactions from September 22:

- ISDA Matrix will be republished with new "financial" Transaction Types for the 2014 Definitions, which apply the new financial terms (including GI)
- These will be available for Western Europe and Asia
- New transactions on financial "Excluded Reference Entities" are expected to use the new "financial" Transaction Types
- Transactions in other regions will continue to use "corporate" Transaction Types
- Result – *new financial provisions will apply to new transactions in certain regions where the parties agree*

Sovereigns – existing transactions

Asset Package Delivery applies to any "Sovereign" Reference Entity under the 2014 Definitions

- Protocol disapplies APD provision to Sovereign Reference Entities within the scope of the Protocol
- Sovereign entities that will trade with the new APD provisions from September 22 are "Excluded Reference Entities"
- Result – *new Sovereign APD provisions will not apply to any existing transactions*

Sovereigns – new transactions

For new transactions from September 22:

- ISDA will publish a supplement to disapply APD provisions where the supplement is incorporated
- Republished ISDA Matrix will incorporate this supplement for 2014 Definitions transactions on certain "sovereign" Transaction Types
- APD provisions will apply for Western Europe, Japan, Australia and New Zealand sovereigns
- Result – *new Sovereign APD provisions will apply to new transactions in certain regions*

Protocol adherence process

- 2014 Definitions Protocol is open for adherence **until September 12, 2014**
- Protocol is open to ISDA members and non-members alike
- Text of the Protocol and a link to the adherence letter are available on the [Protocol Management section of ISDA's website](#)
- Information on adherence fees, guidance on the mechanics of the Protocol, FAQs and details on adherents are also available on the [Protocol Management section of ISDA's website](#)

Other documentation updates

ISDA will publish additional documentation to support the September 22 launch:

- Single name, CDS index and bespoke portfolio standard contract terms
- Updated Determinations Committees Rules
- Standard Reference Obligation Rules
- Package Observable Bond Rules
- Revised standard risk disclosures

Additional Resources

[2014 ISDA Credit Derivatives Definitions section of ISDA's website:](#)

- Details on upcoming ISDA conferences related to the 2014 Definitions
- FAQs and information relating to changes in operational workflows

The 2014 Definitions are available on the [ISDA Bookstore](#)

For questions, please contact: [cgsquestions@isda.org](mailto:cdsquestions@isda.org)



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