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
"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*
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: cdsquestions@isda.org