

**2014 ISDA Credit Derivatives Definitions
Implementation Considerations
(September 17, 2014)**

The purpose of this document is to outline key timing of various elements of the implementation of new trading on the 2014 ISDA Credit Derivatives Definitions and other considerations which industry participants may use in their efforts to implement and support the new changes relative to the initiative. The contents of this document reflect changes in approach compared to earlier materials produced by ISDA, such as FAQs, that are still available on ISDA's website www.isda.org. Those other materials will be updated shortly to reflect the positions described in this document.

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1. High-level Summary – Key Dates

General Launch Date and Protocol Effective Date: October 6, 2014

- The amendments to each Protocol Covered Transaction and each Protocol Covered Agreement between Adhering Parties will become effective¹
- New trading on index contracts using the 2014 Definitions will commence
- New trading on single-name trades across all sectors on the 2014 Definitions is expected to commence

Infrastructure Go-Live Date: September 22, 2014

- The date on which infrastructure is deployed to support trading on the ISDA 2014 Credit Derivatives Definitions
- This will permit single-name CDS to be traded on the new 2014 Definitions. It is anticipated that actual trading activity on the 2014 Definitions between September 22 and October 3 will be limited to Reference Entities that are excluded from the Protocol (e.g. certain financial and sovereign entities)
- Infrastructure elements deployed include the following functionality:
 - The ability to specify 2003 or 2014 contractual definitions on transactions using new values for the respective terms
 - Support for trading new ISDA Matrix Transactions Types for "Financials" and "CoCo"
 - XML files which identify the published Standard Reference Obligation ("SRO")

¹ References in this document to the amendments under the Protocol becoming effective assume that no Event Determination Date has occurred in respect of a relevant Reference Entity before October 6.

- The option to select an SRO on an electronic trading platform
- The ability to centrally clear certain sectors of single-name transactions referencing 2014 Definitions

2. Trade and Infrastructure-Specific Considerations

Index Trade Implementation Details:

- On-the-run Indices: In order to be consistent with the protocol, and based on feedback from industry participants and the ISDA’s Credit Steering Committee, Markit will publish new series of the CDX and iTraxx indices with an annex date of October 6, 2014 (see below for CDX HY dates).
 - The recommended first day of trading on the new series will be October 6, 2014.
 - The annex for Markit CDX HY will be published on October 9, 2014, which will also be the recommended first day of trading on new CDX HY series. Draft annexes will be made available in RED files and on the website at least two business days prior to the final annex date.
 - The effective date for the indices will be September 22, 2014, ensuring a full first coupon.
- Off-the-run Indices: Legacy index transactions traded between September 22 and October 3 are expected to trade referencing the 2003 ISDA Credit Derivatives Definitions (“2003 Definitions”).
 - Protocol Covered legacy index transactions traded between September 22 and October 3 will be converted by the Protocol to reflect 2014 Definitions on October 6.
 - Industry participants during the interim period between September 22 and October 3 are expected to specify the relevant pre-September 2014 Standard Terms Supplement date when confirming these transactions.

Single-Name CDS Implementation Details:

- September 22 Go-Live: Market participants will have the ability to trade referencing either 2003 or 2014 contractual definitions beginning on September 22, 2014.
 - It is anticipated that some parties may begin trading on the 2014 Definitions on September 22 for transactions referencing new trading standards for ‘Financial’ and ‘Sovereign’ Reference Entities that are excluded from the Protocol (**these contracts will be supported by trading infrastructure starting on September 22**).
 - Any Protocol Covered Single Name CDS Transaction trading under 2003 Definitions between September 22 and October 3 will be converted to 2014 Definitions on October 6.
 - Any Protocol Covered Single Name CDS Transaction trading under 2003 Definitions between September 22 and October 3, which parties wish to remain on the 2003 Definitions (and not be converted to 2014 Definitions on October 6) would need to include a specific agreement to that effect in the relevant Confirmation.

Infrastructure Deployment Details:

- Reference Data:
 - SRO names become final at 5:01pm GMT on September 18 if left unchallenged. Markit as the SRO administrator will then publish the final public list on September 18. The list will be made available on Markit’s website
 - The Markit SRO RED 9 XML’s will be made available to RED subscribers as of 7:00am GMT September 19

- In reference to Protocol excluded names, Markit has made a number of changes which will impact the V10 Entity XML:
 - ISDA trading definitions: Markit has populated the value “2003_2014” for all of the non-protocol names. Firms can reference this value in the “ISDATRADINGDEFINITION” tag found in the V10 Entity XML
 - New ISDA transaction types: ASIA FINANCIAL CORPORATE, AUSTRALIA FINANCIAL CORPORATE, EUROPEAN FINANCIAL CORPORATE, JAPAN FINANCIAL CORPORATE, and SINGAPORE FINANCIAL CORPORATE have been added to the corresponding entities in the V10 Entity XMLs
- Pricing services for Single-Name CDS contracts:
 - As of September 22, pricing providers will add new ‘doc clause’ values to differentiate between curves referencing the 2014 and the 2003 Definitions
 - For Protocol Covered transactions, traded between September 22 and October 3, some pricing providers will only be pricing curves under the “2014” doc clauses (e.g. CR14, MM14, MR14, XR14). **Note: This may require participants who use these services to monitor transactions to ensure accurate pricing representation on transactions during this interim period.**
 - For Protocol excluded Reference Entities, some providers will be pricing curves under both the “2014” and the “2003” doc clauses.

Confirmations & Novations:

- Contractual Definitions: From September 22 onwards, market participants confirming transactions on MarkitSERV’s DSMatch platform will be required to submit new values ISDA2003Credit or ISDA2014Credit, which signify the contractual definitions of a transaction, otherwise the transaction submission will be ‘rejected’ on the platform.
- Novations:
 - Similarly, novation consent platforms will require submission of contractual definitions values for novation processing
 - Transactions referencing 2003 Definitions which are novated between September 22 and October 3 will remain on 2003 terms during the course of the novation (although the resulting transaction between the Remaining Party and Transferee will be amended by the Protocol after the novation (if the Protocol applies), or may otherwise be amended by agreement of those parties).

Clearing:

- Off-the-run legacy indices will clear under 2003 Definitions from September 22 through October 3
- On-the-run indices will not be clearing eligible until October 6, at which point they will clear under 2014 Definitions only
- Protocol Covered Single Name CDS will clear under 2003 Definitions from September 22 through October 3 and under 2014 Definitions only from October 6
- Non-Protocol Single Name CDS will clear under both 2003 and 2014 Definitions from September 22 onwards

Bulk Updates in TIW:

- To assist market participants reflect the changes brought forth by adherence to the Protocol MarkitSERV and DTCC will schedule event processing to update transactions records in the Trade Information Warehouse (“TIW”)
- The Adherence Start Date to this event will begin on September 19 and end on October 3
- On the weekend of October 3, DSMatch will generate ‘amendment’ transactions for the affected population of Protocol adhered trades and update the Contractual Definitions value from ISDA2003Credit to ISDA2014Credit
- For the aforementioned step above outbound MQ messaging will be switched-off