

ISDA Master Agreement and other standard market agreements

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Topics

Overview of standard market agreements

Concept of a master agreement

ISDA Master Agreement and Credit Support Documents

Overview of standard market agreements

Derivatives	Repo's	Sec. lending	Loans
<ul style="list-style-type: none">• ISDA Master Agreement (1992 & 2002)• ISDA Credit Support Documents (1994, 1995, 2016)	<ul style="list-style-type: none">• Global Master Repurchase Agreement (ISDA 2000 & 2011)• Master Repurchase Agreement (1994)	<ul style="list-style-type: none">• CDO Master Securities Lending Agreement (2011, 2009 & 2007)• Master Securities Lending Agreement (1993, 2000 & 2017)	<ul style="list-style-type: none">• LMA Facility Agreements and Loan Documentation

Examples of 'local' documentation: the European Master Agreement, *Deutscher Rahmenvertrag für Finanztermingeschäfte* (D), *Convention-cadre FBF* (F) and *Raamovereenkomst Niet-beursgenoteerde Derivatven* (NL).

Prime brokerage agreements? Often institution-specific

Concept of a master agreement

One agreement to govern all transactions

Sets out (standardized) general terms and conditions

Master agreement with transactions forms a 'single agreement'

Key benefit: reducing *gross exposures* to a single *net exposure*

ISDA (i) – Key Provisions (sections)

Interpretation (s1)

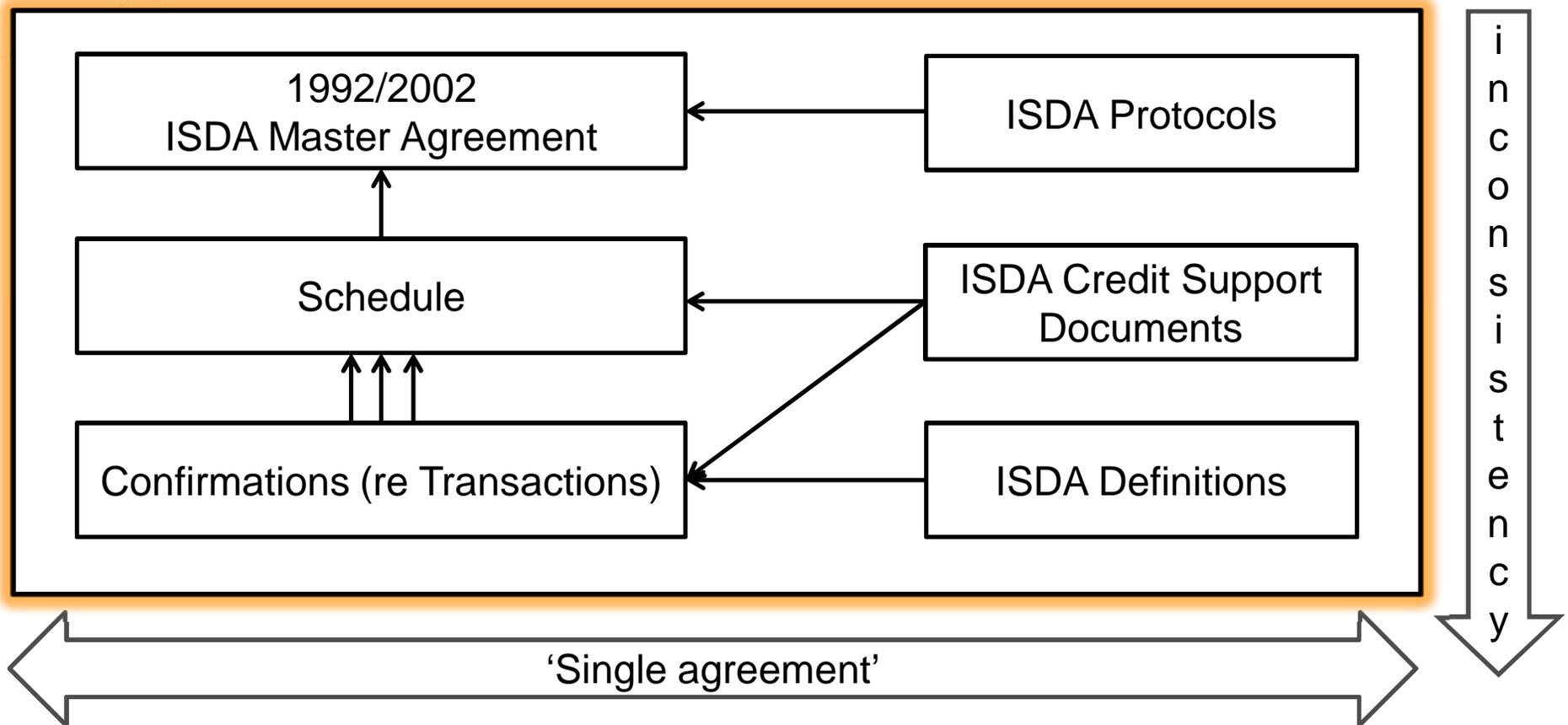
Obligations (s2)

Events of Default and Termination Events (s5)

Early Termination; Close-out Netting (s6)

Governing Law and Jurisdiction (s13)

ISDA (ii) – Interpretation (s1)



ISDA (iii) – Obligations (s2)



Payment and delivery obligation

- Confirmation(s)

Payment Netting

- payments under a single Transaction (or multiple Transactions)
- in the same currency and
- payable on the same date

Conditions precedent

- No (Potential) Event of Default
- No Early Termination Date and
- No other conditions precedent

ISDA (iv) – Events of Default and Termination Events (s5)



Events of Default

- **Failure to Pay or Deliver**
- Breach/Repudiation of Agreement
- Credit Support Default
- Misrepresentation
- Default Under Specified Transaction
- Cross-Default
- **Bankruptcy**
- Merger Without Assumption



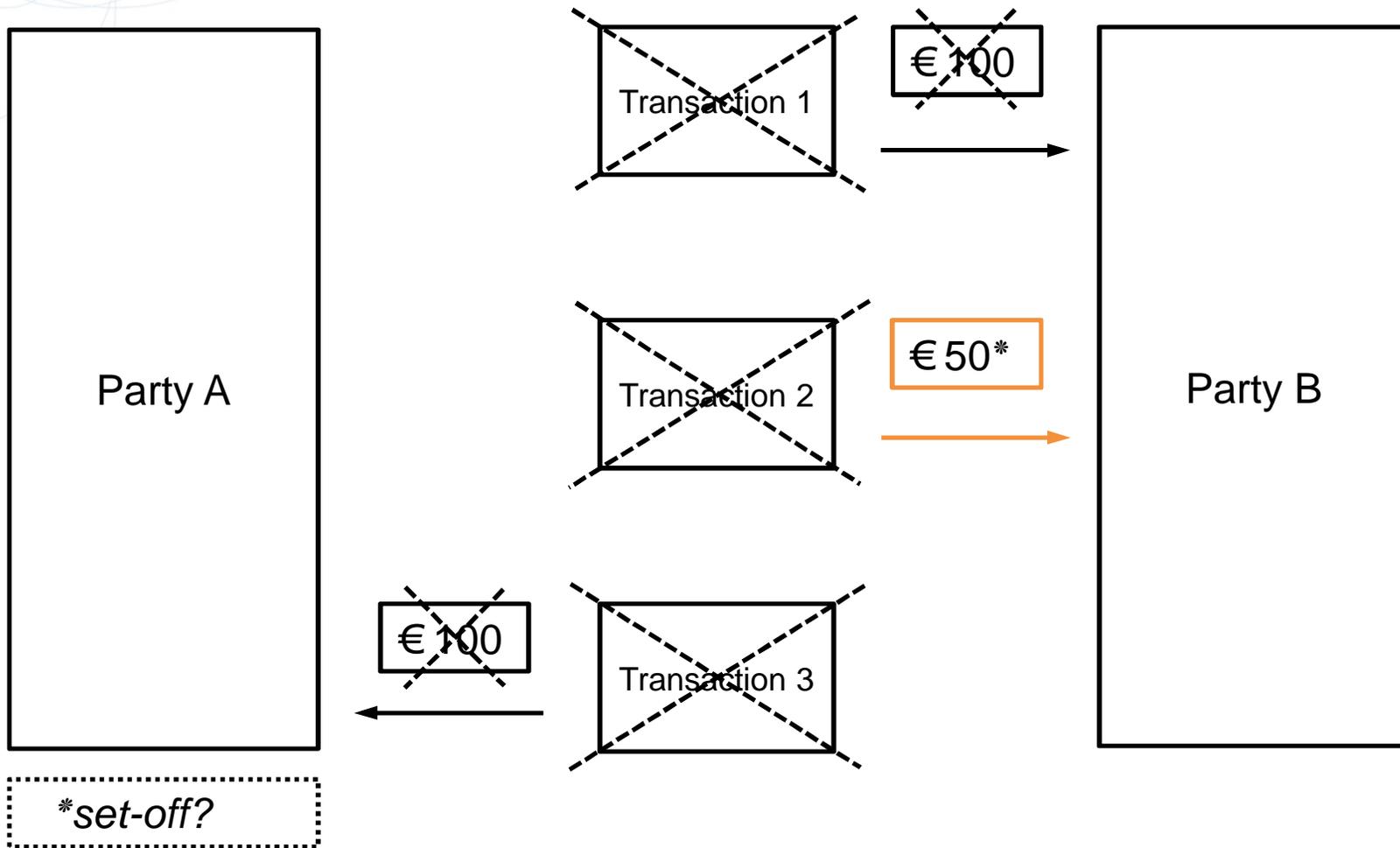
Termination Events

- Illegality
- Force Majeure Event (only 2002 ISDA)
- Tax Event
- Tax Event Upon Merger
- Credit Event Upon Merger
- **(Optional) Additional Termination Event(s)**

ISDA (v) – Early Termination; Close-out Netting (s6)

Step 1: Early Termination	Events of Default	<i>All Transactions</i>
		<i>Automatic Early Termination?</i>
	Termination Events	<i>Affected Party/ies</i>
		<i>Affected Transactions</i>
Step 2: Valuation and Early Termination Amount	Close-out Amount (2002 ISDA) / Settlement Amount (1992 ISDA)	
	Unpaid Amounts	
Step 3: Set-off	Set-off of (i) Early Termination Amount and (ii) Other Amounts	<i>Not standard in 1992 ISDA</i>

ISDA (vi) – Example close-out netting

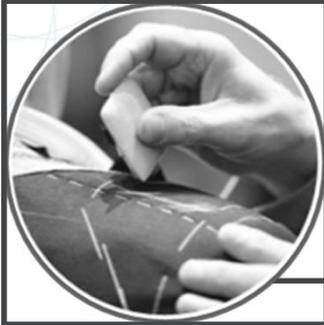


ISDA (vii) – Governing Law and Jurisdiction (s13)

Governing law and jurisdiction



ISDA (viii) – Schedule



Made-to-Measure Master Agreement,
including:

- Automatic Early Termination (at Bankruptcy) on/off
- Additional Termination Events
- Documents to be delivered
- Additional Representations
- Choice of law / submission to jurisdiction (arbitration?)
- Credit Support Documents / Credit Support Providers
- Regulatory compliance: EMIR/Dodd-Frank

ISDA (ix) – Confirmations

Confirms agreement to a certain Transaction

Sets out the economic terms (such as the underlying value, currency, interest rate, notional amount, timing, and maturity)

May deviate from Master Agreement and Schedule

ISDA Definitions



ISDA (x) – Credit Support Documents



Key benefit of ISDA Master Agreement: reducing *gross* exposures to a single *net* exposure

The *net* exposure of a party may be collateralized through credit support (margin/collateral) provided by the other party, e.g. cash or securities

ISDA Credit Support Documents regulates the provision, return and (upon default) enforcement of credit support. Main versions of ISDA Credit Support Documents:

- 1994 Credit Support Annex under New York law – *security interest*
- 1995 Credit Support Deed under English law – *security interest*
- 1995 Credit Support Annex under English law – *title transfer*
- 2016: new versions for regulatory-driven ‘variation margin’ (VM) and ‘initial margin’ (IM)

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