

A Practical Guide to the 2003 ISDA Credit Derivatives Definitions

Summary

Credit derivatives have been a hot topic for several years and in 2002 the International Swaps and Derivatives Association, Inc. (ISDA), undertook a major revision of their 1999 Credit Derivatives Definitions, which resulted in the 2003 version. This was published by ISDA on 11 February 2003 and formally adopted by the market with effect from 20 June 2003. The revision was undertaken because of various market disputes and the occurrence of events unforeseen in 1999.

ISDA has decided not to issue its own User's Guide to the 2003 Credit Derivatives Definitions.

This book comprises four chapters and three annexes.

Chapter 1 sets the scene, describing the market and products in general, as well as various risks pertaining to credit derivatives.

Chapter 2 describes the legal issues surrounding credit derivatives and some of the cases that have come before the courts, as well as matters resolved before they got there.

In Chapter 3 I hope to escape Byron's condemnation of Coleridge:

Explaining metaphysics to the nation,
I wish he would explain his explanation.

Chapter 3 is, I hope, a clear but detailed commentary on the individual Articles and Sections of the ISDA 2003 Credit Derivatives Definitions.

Chapter 4 concerns various new developments in the credit derivatives market over the past two years that it may be useful to have summarised in one place.

Finally, the three annexes are meant to provide useful additional information in one place. All three are facsimiles of relevant documentation, reproduced with the kind permission of ISDA.