

# Linklaters

## Version 2.0 of the 2002 ISDA Equity Derivatives Definitions (Versionable Edition) and related documents



The International Swaps and Derivatives Association, Inc. (**ISDA**) published Version 2.0 of the 2002 ISDA Equity Derivatives Definitions (Versionable Edition) (the **Equity Definitions VE**), along with related confirmations on 21 January 2025.

### Why did ISDA publish the Equity Definitions VE?

Version 1.0 of the Equity Definitions VE was published in January 2024 as part of an initiative by ISDA to digitise its definitional booklets thereby allowing additions and improvements to be made to the 2002 ISDA Equity Derivatives Definitions by way of publication of a new version. The initiative followed consultations and agreement amongst members of the ISDA Equity Steering Committee. The first step was publication of Version 1.0 of the Equity Definitions VE on ISDA's digital documentation platform, "MyLibrary". Version 2.0 is the first time substantive changes have been made.

### Does the version incorporated into a transaction update automatically upon publication of a new version?

No. If the parties incorporate the Equity Definitions VE into a transaction, the latest version on the Trade Date of the transaction will apply, unless otherwise agreed by the parties. This means that the transaction will not be affected by any updates to the Equity Definitions VE after the Trade Date.

### Did Version 1.0 of the Equity Definitions VE amend the 2002 ISDA Equity Derivatives Definitions?

Yes, but not substantively.

Version 1.0 of the Equity Definitions VE introduced a new Article 1(A) which contemplates future updates of the definitions by way of an updated version. The name of the definitional booklet was changed to distinguish it from the 2002 ISDA Equity Derivatives Definitions. The only other change was to replace references to the 2000 ISDA Definitions with references to the 2021 ISDA Interest Rate Derivatives Definitions.

### When would the Equity Definitions VE be used?

The Equity Definitions VE are for use in equity derivatives transactions and are intended to be used instead of the 2002 ISDA Equity Derivatives Definitions. There is no current requirement to use the Equity Definitions VE or to amend existing transactions to incorporate the Equity Definitions VE. However, ISDA is coordinating

an initiative to replace the 2002 ISDA Equity Derivatives Definitions with the Equity Definitions VE as the main definitional booklet for equity derivatives transactions, targeting an industry go-live in October 2026. The initiative includes publishing an ISDA protocol to assist market participants in amending existing master confirmation agreements to incorporate the Equity Definitions VE.

### What changes have been made in Version 2.0 of the Equity Definitions VE?

Unlike Version 1.0 of the Equity Definitions VE, Version 2.0 of Equity Definitions VE makes some substantive changes to the 2002 ISDA Equity Derivatives Definitions. The key changes are explained below.

- 1. Separate Valuation/Combined Calculation** – There is a new provision allowing parties to apply "Separate Valuation/Combined Calculation" for Share Basket Transactions and Index Basket Transactions. If applied, this provides that variables relevant to the Transaction (including the Valuation Date, Scheduled Trading Day and any other variable as the Calculation Agent determines appropriate) shall be determined separately for each Share or Index in the Basket. This means that those Shares or Indices are valued independently, with those individual values then combined to produce a single value for the Basket. Parties are also able to limit the consequences of a Potential Adjustment Event, Merger Event, Tender Offer and Additional Disruption Event to the Shares affected by that event rather than all Shares in the Basket. Parties can also choose to apply staggered settlement.
- 2. Futures Price Valuation** – Wording has been added to allow parties to apply "Futures Price Valuation" to a Share. Under the 2002 ISDA Equity Derivatives Definitions, Futures Price Valuation could only apply to an Index. Additionally, new elective provisions have been included if trading in the Exchange-traded Contract never commences or is permanently discontinued on or prior to a Valuation Date. Previously, the Official Settlement Price for that Valuation Date would be deemed to be the level of the relevant Index at the relevant time but parties now have the ability to provide for "Cancellation and Payment" (resulting in the transaction being cancelled and a payment being made) or "Exchange Adjustment" (resulting in the Calculation

Agent making adjustments to the Transaction corresponding to the effect on the Exchange-traded Contract as announced by the relevant exchange or clearing house or, failing any such announcement, cancellation of the Transaction). These provisions could be used to minimise basis risk if the OTC equity derivative contract is hedged using exchange-traded derivatives.

3. **VWAP and TWAP** – New provisions relating to “VWAP” and “TWAP” have been included for purposes of determining the Relevant Price, Final Price or Settlement Price. If applied, these will result in the Calculation Agent determining the volume weighted average price per Share or the time-weighted average price of the Shares, as applicable, based on the price source specified in the confirmation. If applied, these provisions also make some changes to the Market Disruption Events, Early Closure and Disrupted Day provisions.
4. **Benchmarks Provisions** – The provisions introduced in the 2002 ISDA Equity Derivatives Definitions Benchmarks Annex to the ISDA Benchmarks Supplement have broadly been included in Version 2.0 of the Equity Definitions VE and will apply if parties specify “Benchmark Provisions” as applicable in the confirmation (or if both parties have adhered to the ISDA 2018 Benchmarks Supplement Protocol or otherwise adopted the terms of the ISDA Benchmarks Supplement for equity derivative transactions governed under the ISDA Master Agreement and do not expressly disapply “Benchmark Provisions” in the confirmation). These provisions were intended to address the requirements of the EU Benchmarks Regulation<sup>1</sup>.
5. **Depository Receipt Provisions** – The provisions in the 2007 Partial Lookthrough Depository Receipt Supplement to the 2002 ISDA Equity Derivatives Definitions and the 2007 Full Lookthrough Depository Receipt Supplement to the 2002 ISDA Equity Derivatives Definitions have been lifted into Version 2.0 of the Equity Definitions VE and can be applied by specifying “Full DR Lookthrough” or “Partial DR Lookthrough” in the confirmation.
6. **T2** – There is a new definition of T2. This is used to replace previous references to TARGET or TARGET2.

## What else was published with Version 2.0 of the Equity Definitions VE?

ISDA also published a User’s Guide to Version 1.0 of the Equity Definitions VE (there is not yet a User’s Guide to Version 2.0 of the Equity Definitions VE) and 2 sets of confirmations templates, one for use with Version 1.0 of the Equity Definitions VE and one for use with Version 2.0 of the Equity Definitions VE. The templates for use with Version 2.0 of the Equity Definitions VE include new fields to reflect the new provisions described above.

## What are the benefits of the Equity Definitions VE being versionable and available digitally?

The Equity Definitions VE are published only in digital form via ISDA’s MyLibrary platform, which ISDA developed in conjunction with Kinetix Trading Solutions and Linklaters. When the Equity Definitions VE are updated, such as with the publication of Version 2.0, the Equity Definitions VE will be restated as a new version so that there is always one consolidated form.

<sup>1</sup> You can find more information on the Benchmarks Supplement in our [FAQs](#). Note that there are some small differences in the Benchmark Provisions in Version 2.0 of the Equity Definitions VE by comparison to those in the ISDA Benchmarks Supplement.

The MyLibrary platform allows users to find the latest version of the Equity Definitions VE associated with a particular date and compare versions to see changes made. Users will also easily be able to locate related resources, search within the Equity Definitions VE, jump between different sections and defined terms and bookmark or “collect” sections together.

## Where can I get further information?

Please feel free to contact any member of the team if you would like to discuss further.

### Contacts:

**Pauline Ashall**  
Partner, London  
Tel: +44 20 7456 4036  
[pauline.ashall@linklaters.com](mailto:pauline.ashall@linklaters.com)

**Simon Firth**  
Partner, London  
Tel: +44 20 7456 3764  
[simon.firth@linklaters.com](mailto:simon.firth@linklaters.com)

**Doug Shaw**  
Partner, London  
Tel: +44 20 7456 5081  
[doug.shaw@linklaters.com](mailto:doug.shaw@linklaters.com)

**Deepak Sitalani**  
Partner, London  
Tel: +44 20 7456 2612  
[deepak.sitalani@linklaters.com](mailto:deepak.sitalani@linklaters.com)

**Rhian Roberts**  
Counsel, London  
Tel: +44 20 7456 4815  
[rhian.roberts@linklaters.com](mailto:rhian.roberts@linklaters.com)

**Sarah Willis**  
Counsel, London  
Tel: +44 20 7456 5092  
[sarah.willis@linklaters.com](mailto:sarah.willis@linklaters.com)

**Suzanna Brunton**  
Counsel, Paris  
Tel: +33 1 56 43 58 07  
[suzanna.brunton@linklaters.com](mailto:suzanna.brunton@linklaters.com)

**Douglas Donahue**  
Partner, New York  
Tel: +1 212 903 9222  
[douglas.donahue@linklaters.com](mailto:douglas.donahue@linklaters.com)

**Will Liu**  
Partner, New York  
Tel: +1 212 903 9105  
[will.liu@linklaters.com](mailto:will.liu@linklaters.com)

**David Lucking**  
Partner, New York  
Tel: +1 212 903 9130  
[david.lucking@linklaters.com](mailto:david.lucking@linklaters.com)

**Stephen Song**  
Partner, Hong Kong SAR  
Tel: +852 2901 5440  
[stephen.song@linklaters.com](mailto:stephen.song@linklaters.com)

**Victor Wan**  
Partner, Hong Kong SAR  
Tel: +852 2901 5338  
[victor.wan@linklaters.com](mailto:victor.wan@linklaters.com)

**Phoebe Coutts**  
Managing Associate (Knowledge)  
London  
Tel: +44 20 7456 5886  
[phoebe.coutts@linklaters.com](mailto:phoebe.coutts@linklaters.com)

**Hannah Patterson Smith**  
Senior Associate (Practice Development)  
London  
Tel: +44 20 7456 4527  
[hannah.pattersonsmith@linklaters.com](mailto:hannah.pattersonsmith@linklaters.com)



[linklaters.com](https://www.linklaters.com)

This content is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions on issues reported here, please get in touch. © 2025 Linklaters.

Linklaters LLP is a limited liability partnership registered in England and Wales with registered number OC326345. It is a law firm authorised and regulated by the Solicitors Regulation Authority. The term partner in relation to Linklaters LLP is used to refer to a member of the LLP or an employee or consultant of Linklaters LLP or any of its affiliated firms or entities with equivalent standing and qualifications. A list of the names of the members of Linklaters LLP and of the non-members who are designated as partners and their professional qualifications is open to inspection at its registered office, One Silk Street, London EC2Y 8HQ, England or on [www.linklaters.com](https://www.linklaters.com) and such persons are either solicitors, registered foreign lawyers or European lawyers. Please refer to [www.linklaters.com/regulation](https://www.linklaters.com/regulation) for important information on our regulatory position.