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Benefits of adopting the Equity Definitions VE

This document contains a non-exhaustive list of benefits of adopting the Equity Definitions VE, which ISDA and market participants can use to socialize this initiative. This document may be updated from time to time.

- **Features of the Equity Definitions VE**: The Equity Definitions VE is a versionable edition of the 2002 Equity Derivatives Definitions booklet. It is produced in digital form in MyLibrary, with features including ease of navigation, blackline comparison functionality and hyperlinking of key terms.

  The Equity Definitions VE:

  - provide a pathway to long-term improvements such as new defined terms, coverage of additional products, new product templates (e.g., Equity Autocallable payouts); and
  - ease streamlining of multiple versions of commonly used terms and provisions that are currently used in various bespoke forms of ISDA documentation.

- **Allow for timely reaction to market and regulatory events**: The Equity Definitions VE, being an updatable book, allow for new provisions to be easily incorporated directly in confirmations. This means they can facilitate quick reaction to market events that require new provisions and allows market participants to consume such updates in an efficient and timely manner.

  For example, in 2018, provisions needed to be included to certain equity derivatives transactions in response to EU benchmarks regulation. This was achieved by launching an ISDA protocol for market participants to adhere to, which is a more costly and resource-intensive approach compared to how it will work under the Equity Definitions VE.

  Under the Equity Definitions VE framework, such provisions can be added directly into the definitions book and will apply to relevant new transactions which specify those provisions as applicable in the confirmations, thereby allowing equity derivatives transactions to be regulatory-compliant in a timely and cost-effective manner.

- **Improve efficiency and compliance rates for confirmations, whilst reducing risk**: As more provisions are standardised in the versionable Definitions booklet, this will facilitate:

  - A reduction of time spent in negotiating terms or resolving confirmation breaks as STP rates improve with less manual intervention in drafting/reviewing processes; and
  - an increase of products available on electronic confirmation platforms as new products are standardised;

which, should lower the risk of unexecuted confirmations and assist with satisfying regulatory requirements.

- **Benefits of early adoption:** Early adoption of the Equity Definitions VE with gradual enhancements from the original 2002 Equity Definitions:
    - limits the impact on existing documentation; and
    - reduces potential barriers for parties to transition to the new definitions booklet.
- **Ease of implementation of Equity Definitions VE**:
    - Straightforward implementation achieved by updating the preamble of MCAs/PSAs (via ISDA Protocol) and of long-form/standalone confirmations.
    - One-off adoption effort required as transactions will automatically refer to the latest published version of the Equity Definitions VE as of the relevant trade date for the transaction. In contrast, under the current framework, each time an update needs to be made, as multiple extensive bilateral negotiation and implementation efforts are required.
- **Why is October 2026 the better option for implementation?**
    - Because it will be a simpler exercise, due to the limited number of changes in version 2, compared to adopting in a few years' time.
    - Because it will be easier to explain version 2 changes to counterparties & clients, which should increase the chances of a successful market adoption. The longer the implementation date is delayed, the more complex the implementation may become and could result in a more labour-intensive and costly exercise.