This is your Release #3 (February 2019)

Derivatives Deskbook

• Close-Out Netting
• Risk Mitigation
• Litigation

Second Edition

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Derivatives Deskbook: Close-Out Netting; Risk Mitigation and Litigation is a comprehensive derivatives resource handbook geared to all users of swap agreements and derivatives from financial institutions to corporate end users. The ***Derivatives Deskbook*** defines the key terminology; identifies the major players; discusses the full range of documentation; and highlights risk mitigation techniques and best practices that can significantly minimize risks. It examines the termination events and events of default that can trigger the early termination of OTC derivative transactions; the important process of closing out these deals; and the complex process of calculating the early termination amounts due the parties under the transactions, as well as how these transactions can be terminated in ways that minimize the damage to the parties and to the global financial system. It further examines the impact of U.S. bankruptcy interrelationship on the termination and close-out netting process and what steps must be taken to comply with a counterparty that is or may become bankrupt. Most importantly, it provides a comprehensive resource to all key litigation cases involving derivative transactions around the key jurisdictions in the world. It is an essential resource for every lawyer or business person engaged in derivative transactions.

Highlights of this Release #3 include:

- **New sections 3:1.1, Variation Margin Regulations, 3:1.2, Effect of Margin Regulations,** and **3:1.3, Initial Margin Regulations,** explore the new variation margin regulations adopted by regulators in a variety of major jurisdictions in reaction to the financial crisis to govern the posting of collateral in OTC

(*continued on reverse*)

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derivative transactions. The regulations have been enacted by applicable regulators in the European Union, the United States, Switzerland, Canada and Japan.

- **Revised section 6:6, Collateral Arrangements,** examines the need, in large financings with multiple banks and counterparties, for intercreditor agreements to sort through the rights of the various creditors to the collateral securing their obligations. Typically, in an intercreditor agreement, a swap counterparty would agree to abstain from declaring certain events of default such as a breach of agreement or termination events so that a minor breach with one swap counterparty under a swap agreement does not permit one bank to have sole access to the collateral leaving other institutions undercollateralized.
- **Revised section 8:4.1, Credit Support Annex,** explains that the restrictions on hypothecation in the initial margin regulations are expected to increase the costs of swap agreements for dealers and those costs will likely be passed on to counterparties.

Thank you for purchasing ***Derivatives Deskbook***. If you have questions about this product, or would like information on our other products, please contact customer service at info@pli.edu or at (800) 260-4PLI.

FILING INSTRUCTIONS

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