



OTC Documentation Workshops

The *Guide to Australian OTC Transactions* provides a standardised approach to the legal documentation necessary for participants transacting in Australian over-the-counter (OTC) markets.

Essentially, it is the reference gateway to bilateral documentation providing a simple, accessible guide to the main forms of OTC market transaction documentation used in Australia.

AFMA offers both an introductory and advanced course on the use of the *Guide to Australian OTC Transactions*.

Introductory OTC Documentation

A highly practical half-day workshop introducing participants to the *AFMA Online Guide to OTC Documents*, an online publication that provides standardised documentation for products traded on Australian and New Zealand OTC markets under the ISDA® Master Agreement.

A combination of lectures, examples and online demonstration is utilised to assist participants to develop an understanding of the value, importance and operational best practice of the ISDA® Master Agreement and its components.

Advanced OTC Documentation

Building on the Introductory Guide to OTC Documentation workshop, this program examines in detail the concepts of netting, key clauses and negotiated issues in the 2002 ISDA® Master Agreement. Essential topics discussed include:

- ISDA Master Agreement in detail

® Registered trademark of the International Swaps & Derivatives Association (ISDA). Please note that this workshop is neither sponsored by nor affiliated with ISDA.





Introductory OTC Documentation

A **half-day workshop** providing participants with an overview of the *AFMA Online Guide to OTC Documents* publication.

Through a series of short lectures and hands-on examples, including case studies and deals, participants will learn about the structure, content and format of a completed Schedule to the 2002 ISDA® Master Agreement.

The workshop outlines the range of derivatives products and types of transactions, netting and important legal and operational issues. The presenter will have access to the *AFMA Online Guide to OTC Documents* throughout the workshop and will demonstrate how it works and the information available.

UPON COMPLETION OF THIS WORKSHOP, PARTICIPANTS WILL BE ABLE TO:

- report on the key reasons why a master agreement is required
- identify the main components of the 2002 ISDA® Master Agreement and Schedule, explaining some key clauses and negotiated issues
- describe some of the core derivatives products involved
- explain the concept of netting
- summarise ISDA® documentation operational best practice.

THIS COURSE WILL BE OF PARTICULAR VALUE AND RELEVANCE TO:

- analysts
- compliance managers
- corporate treasurers
- dealers
- fund managers
- ISDA® negotiators
- legal counsel
- operations staff
- risk managers
- settlements staff
- traders
- treasury operations personnel

ASSUMED/DESIRED KNOWLEDGE

Familiarity with the financial market products covered by the ISDA® Master Agreement is not a pre-requisite to attending this workshop.

CE HOURS EARNED

Earn up to 3 Regulation & Compliance CE hours.

COURSE OUTLINE

1. What is a derivative?

- types of derivative
- types of underlying exposure
- risks arising from derivatives
- core documentation issues

2. Why a Master Agreement?

- credit risk
- pre-settlement risk
- settlement risk
- legal risk

3. ISDA®

- the Schedule
- confirmation process
- single agreement concept
- architecture
- benefits and features

4. AFMA Online Guide to OTC Documents

- ISDA® documents

5. ISDA Protocols

- example protocols

6. Operational issues

- ISDA® documentation operational best practice
- operational controls
- failure
- absence of master agreement

Advanced OTC Documentation

This practical one-day workshop identifies key issues in the ISDA® Master Agreement and the negotiation process. Relevant legal terms will be explained and more advanced documentation issues will be examined, including:

- tax representations
- cross default clauses
- close-out amount – calculating termination payments in the 2002 ISDA® Master Agreement
- break clauses
- early termination events
- multi-branch parties
- Force Majeure Event
- automatic early termination
- set off provisions
- credit support
- netting dealing with non-corporates
- events counterparties

Short lectures will be combined with case studies and deal types. Workbooks supplied will provide participants with access to all relevant documentation.

We recommend attending the Advanced OTC Documentation Workshop within six months of completing the Introductory Workshop.

UPON COMPLETION OF THIS WORKSHOP, PARTICIPANTS WILL BE ABLE TO:

- explain the concept of netting (payment and close-out) in the ISDA® Master Agreement
- outline and review key clauses and negotiated issues in the ISDA® Master Agreement
- describe 'Know Your Counterparty' issues and explain their importance
- explain how and why credit support documentation is used and the core concepts in the ISDA® Credit Support Annex
- discuss how and why the Investment Managers Supplement is used and its core concepts
- report on the operational issues experienced when dealing with derivatives

This course will be of particular value and relevance to:

- analysts
- compliance managers
- corporate treasurers
- dealers
- fund managers
- ISDA® negotiators
- legal counsel
- operations staff
- risk managers
- settlements staff
- traders
- treasury operations personnel

ASSUMED/DESIRED KNOWLEDGE

Participants will have an overall understanding of derivatives products to the level covered by the Introductory OTC Documentation Workshop.

COURSE OUTLINE

1. The importance of documentation

- risk management: different types of risks
- one type of risk: legal risk for derivatives
- background to ISDA® Master Agreement

2. Detailed analysis of 2002 ISDA Master Agreement

- types of master agreements
- discuss 2002 ISDA® Master Agreement terms
- the close-out amount termination payment calculation methodology
- the Force Majeure Event Termination Event
- review of significant clauses such as Gross-up, Tax Representations, other Representations, Undertakings, Events of Default and Termination Events
- schedule to the 2002 ISDA® Master Agreement
- products covered by the 2002 ISDA® Master Agreement
- linking multiple master agreements: close-out netting

3. ISDA Protocols

- how protocols work
- types of protocols

4. Credit Support Annex

- different types of Credit Support documentation, why they are used and what they do
- review of English law - governed Credit Support Annex
- issues with other types of credit support documentation
- key clauses and negotiated issues

5. Investment Manager Supplement

- why they are used and what they do
- review of Investment Manager Supplement
- key clauses and negotiated issues