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Joint Release

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation**

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For Immediate Release

October 11, 2014

**Federal Reserve Board and FDIC Welcome ISDA Announcement**

The Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation welcome the announcement today by the International Swaps and Derivatives Association (ISDA) of the agreement of a new resolution stay protocol.

A significant portion of bilateral, over-the-counter (OTC) derivatives transactions with large banking organizations permit counterparties to liquidate, terminate, or accelerate the contract upon the banking organization's failure. Following the recent financial crisis, global financial regulators have focused on the potential for such contractual rights to disrupt the execution of an orderly resolution of a major global banking firm.

This initiative is an important step toward mitigating the financial stability risks associated with the early termination of bilateral, OTC derivatives contracts triggered by the failure of a global banking firm with significant cross-border derivatives activities. Initially, 18 large banking organizations have agreed to sign onto the protocol. The protocol provides for temporary stays on certain default and early termination rights within standard ISDA derivatives contracts in the event one of the large banking organizations is subject to an insolvency or resolution proceeding in its home jurisdiction.

The resolution stay amendments of the protocol are intended to facilitate an orderly resolution of a major global banking firm and reduce the potential negative impact of the resolution on financial stability by giving the bankruptcy court or resolution authority the ability to prevent early termination of financial contracts of the firm's global subsidiaries. The Federal Reserve and the FDIC are encouraged by this effort and look forward to the continuation of this important work.

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