SCHEDULE

1. COLLATERAL

1.1 The security, financial instruments and deposits of currency which shall form part of the Collateral under this Agreement shall be as agreed between the Parties in writing from time to time provided, however, that if Lender is a Company and the Collateral shall be limited to the amount of its net assets shown in its most recent balance sheet, if any, and in any event the Collateral shall be limited by a "Basis" (as defined in Section 3.01(d)) of the Exchange Act Act or any comparable regulation of the Secretary of the Treasury under Section 305 of the Exchange Act (to the extent that Borrower is subject to such risk or comparable regulation) pursuant to exceptional, interpretive or administrative relief or otherwise.

1.2 Unless otherwise agreed between the Parties, the Market Value of the Collateral shall be as described pursuant to paragraph 5 by Borrower to Lender under the terms and conditions of the Agreement. The basis on which the Collateral shall be determined shall be the average of the last three business days of the Collateral, which shall be agreed between the Parties in writing from time to time.

1.3 Unless otherwise agreed between the Parties, the Market Value of the Collateral shall be as described pursuant to paragraph 5 by Borrower to Lender under the terms and conditions of the Agreement. The basis on which the Collateral shall be determined shall be the average of the last three business days of the Collateral, which shall be agreed between the Parties in writing from time to time.

2. Basis of Margin Maintenance:

Paragraph 5.4 (entire provision) shall apply.

3.6 Paragraph 5.6 (entire provision) shall apply.

8 September 2021
Introduction

The ISLA Clause Library & Taxonomy, is the result of one year of working group meetings, the purpose of which was to identify, for each of the 2000 GMSLA, the 2010 GMSLA and the 2018 Security Interest over Collateral GMSLA, how members configure and add to the standard provisions of the preprint documents when negotiating them. Each amendment or addition to the proforma schedule was categorised based upon the business outcome rather than the wording used, and for each business outcome a model clause wording was defined.

The intention is that the ISLA Clause Library & Taxonomy is a living document and will develop with the market as new clauses, variants or variable are utilised by members.

The purpose of the ISLA Clause Library & Taxonomy is not to restrict the ability of members to negotiate freely and draft to achieve the desired mutual outcome, but facilitate more efficient negotiations by providing a number of standardised outcomes and drafting to achieve those outcomes.

The purpose of this guide is to provide some inspiration as to how to incorporate the ISLA Clause Library & Taxonomy into day to day working practices, including tooling to assist with the GMSLA contract lifecycle.

Disclaimer

This guide is intended for general guidance to facilitate use of the ISLA Clause Library. It does not constitute legal advice. Consumers of the ISLA Clause Library should seek specific advice from their own internal and/or external legal advisers in relation to the circumstances of individual matters or cases.
Adoption

There are three major ways in which you should consider incorporating the ISLA Clause Library & Taxonomy into your working practices.

1 **Template Integration**
   Incorporate the ISLA Clause Library & Taxonomy into your GMSLA templates.

2 **Negotiation Fallbacks and Playbooks**
   Develop or enhance your negotiation fallbacks and playbooks to encompass the variants and variables contained within the ISLA Clause Library & Taxonomy.

3 **Portfolio Categorisation**
   Utilise the ISLA Clause Library & Taxonomy to categorise each term within your existing portfolio of documents in accordance with the clauses, variants and variables contained within the clause library.
Template Integration

1. **Identification**
   Identify all templates based upon the: GMSLA (May 2000 version), GMSLA (January 2010 version) and GMSLA (Security interest over collateral 2018 version)

2. **Clause Tagging**
   Assess each clause in your current templates against the Clause Taxonomy.
   - Do the template clauses have the same business outcomes as a clause variant in the Clause Taxonomy?
   - Be aware of clauses in your templates that have multiple business outcomes.

<table>
<thead>
<tr>
<th>Template</th>
<th>Clause Library &amp; Taxonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.3 Basis of Margin Maintenance: Paragraph 5.4 (aggregation) shall apply.</td>
<td>Aggregation – Variant 1 Simple Election – Variable “shall apply”</td>
</tr>
</tbody>
</table>
Template Integration

3 Clause Wording

Once tagging has identified clauses and business outcomes, assess whether the clause wording in your template documents is consistent with the model clause wording in the Clause Library.

Do you want to adopt the model wording?

There are a number of benefits of adopting the model wording:

- As more market participants adopt the model wording in the Clause Library, and the model wording becomes the standard, your counterparties will recognise the clause and negotiations will focus on outcomes rather than on clause wording. How often has a party responded to your templates with their own version of a schedule or individual clauses where the outcome is identical but they do not wish to review your clause wording? The clause library should remove this issue.

- Recognition of clauses, where you need to review documents for a particular clause or outcome, the use of standardised wording that the clause library provides, will enable searches to be far more accurate as you will know the exact wording to look for rather than that multiple different option.

- Internal understanding – within your organisation the clauses in your templates will be easier for other areas to understand if they are underpinned by the Clause Library.

4 Feedback

If there are clauses in your templates which are not adequately captured by the ISLA Clause Library & Taxonomy, are they specific to your institution or should they be considered for inclusion?

If the latter, submit to ISLA for consideration on the download page at islaemea.org
Template Integration

Process Summary

1. Identify Templates
   Identify all GMSLA template documents

2. Clause Tagging
   Assess each template clause against the taxonomy

3. Clause Wording
   Assess each clause against the equivalent clause in the library and consider adopting the library version if different

4. Feedback
   For clauses, variants or variables not included in the ISLA Clause Library & Taxonomy considered providing feedback at islaemea.org
Negotiation Fallbacks and Playbooks

1 **Acceptability**
For each clause, variant and variable in the Clause Taxonomy, record whether such item is acceptable or not and which internal approvals may be necessary to utilise such clause.

<table>
<thead>
<tr>
<th>ISLA Clause Library &amp; Taxonomy</th>
<th>GMSLA Fallback Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>x</td>
</tr>
<tr>
<td></td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Refer</td>
</tr>
</tbody>
</table>

2 **Acceptability**
Assess whether the clause wording in your existing fallbacks / playbooks is consistent with the model clause wording in the Clause Library.

Do you want to adopt the model wording?
Is the model wording acceptable as a fallback?

<table>
<thead>
<tr>
<th>3 Basis of Margin Maintenance</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paragraph 5.4 (Marking to Market of Collateral) during the currency of a Loan on aggregated basis) applies.</td>
<td>Author: Paragraph 5.4 (aggregation) shall apply.</td>
</tr>
</tbody>
</table>

3 **Standard Explanation**
Where a clause / variant / variable is not acceptable, provide standard explanations as to why a particular clause may not be acceptable, so that negotiators can incorporate that explanation if such a clause is requested during a negotiation.

**Clause Library & Taxonomy**
Aggregation – Variant 1 Simple Election – Variable “shall apply”

**Explanation**
Variant not acceptable as operationally we are unable to accommodate collateralisation on an aggregate basis.
Portfolio Categorisation

Assessing both your current portfolio and new contracts in terms of the clauses, variants and variables identified in the taxonomy will provide a comprehensive database of terms which will aid understanding of your portfolio and help to identify outliers. Assessing a large existing portfolio can be labour intensive unless you are able to employ smart search software.