Linklaters

2026 FX Definitions

A New Era for FX Derivatives Documentation



Work to update and consolidate the 1998 FX and Currency Option Definitions (the **1998 FX Definitions**) has been underway since 2024, with a view to consolidating, and updating, those definitions and the multiple supplements and additional provisions that have been published since 1998. The consolidated set of provisions, representing the most significant overhaul of FX derivatives documentation in decades, was published by ISDA and EMTA on 3 March 2026 as the **2026 FX Definitions**.

When will the 2026 FX Definitions be used in FX derivatives transactions?

The implementation date for the 2026 FX Definitions will be 22 November 2027. The relatively long lead time is to enable ISDA to work with market participants on implementation programmes, including working with Swift on updating the messaging standards.

How has the architecture of the FX Definitions changed?

The architecture of the 1998 FX Definitions has, over the years, become a patchwork of supplemental provisions sitting alongside the original definitional booklet. The 1998 FX Definitions comprised the core ISDA 1998 FX and Currency Option Definitions booklet and Annex A, supplemented by additional layers of documentation, including product-specific supplements, various additional provisions and numerous EMTA template terms for emerging markets currencies.

The 2026 FX Definitions adopt a streamlined architecture. At the centre of the new framework sits the 2026 FX Definitions Main Book (**Main Book**), which consolidates the substantive operative provisions previously spread across the supplements, additional provisions and EMTA template terms. Alongside the Main Book, there are a number of matrices which set out certain information or confirmation elections in a table format.

The framework is further supported by:

- updated and new **confirmation templates** for the transaction types contemplated within the 2026 FX Definitions
- a set of **currency pair quoting conventions**
- the **FX novation and cancellation provisions**, to be published shortly.

The Matrices

The SRO Matrix

The Settlement Rate Options (published exchange rates) that are currently defined in narrative form in Annex A have been re-formatted into a matrix, with the information that was previously set out in long-form now represented in a modular, table format. Like the current Annex A, the SRO Matrix includes separate parts for emerging market and non-emerging market currency pairs.

The EM Currency Matrix

The EM Currency Matrix sets out all of the key elections from the EMTA Template Terms for FX forwards and FX options in a single matrix. The EM Currency Matrix will apply automatically to a transaction in respect of a currency pair and a transaction type that is set out therein.

The DM Currency Matrix

Unlike the other matrices, which set out elections or terms that apply to certain transactions, the DM Currency Matrix determines when certain provisions (the developed markets currency provisions) in the 2026 FX Definitions will apply by setting out the developed markets currency pairs to which those provisions apply.

Currencies/Financial Centers Matrix

This sets out standardised definitions for currencies and their respective financial center(s). This matrix will also include any other currency specific provisions.

The Offshore CNY Fallback Matrix

This matrix sets out the elections that apply to a given currency pair (one currency of which will be offshore CNY) when the disruption fallback 'Offshore CNY Cash Settled Substitute' applies to a deliverable offshore CNY transaction.

What are the key substantive updates?

Disruption Events and Disruption Fallbacks

One of the most significant substantive areas of change is the updates to disruption events and disruption fallbacks.

In line with feedback obtained by ISDA through a market survey prior to commencing work on the 2026 FX Definitions, unused disruption events and disruption fallbacks were removed resulting in a significant reduction of the menu of available disruption events and disruption fallbacks.

The substance of the remaining disruption events and disruption fallbacks has been rationalised and updated to reflect market practice and lessons learned from prior disruption events. Alongside these updated disruption events there is a new 'Settlement System Disruption' disruption event for deliverable transactions and a new disruption fallback of 'Calculation Agent Determination of Settlement Method' for deliverable transactions.

A further key change as a result of this overhaul is the inclusion, for the first time, of three default disruption events for deliverable transactions, in contrast to the 1998 FX Definitions where no disruption events apply by default to deliverable transactions.

Deliverable Offshore CNY Transactions

The disruption events and disruption fallbacks specific to deliverable offshore CNY transactions have been upstreamed into a dedicated section in the Main Book. They have been substantively updated in line with market feedback including the addition of a new disruption fallback of 'Offshore CNY Alternative Settlement' providing for settlement through an alternative offshore CNY center.

Other key substantive changes

Other notable substantive updates include:



Full Automated Exercise for FX options

A new, optional 'Full Automated Exercise' method has been introduced for deliverable European FX options, as an alternative to the existing Automatic Exercise provisions. 'Full Automated Exercise' provides for exercise by reference to a specified FX benchmark rate, removes the 1% threshold for exercise and removes all manual intervention of the option buyer in the exercise process by way of notice of exercise or non-exercise.



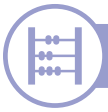
New termination and exercise provisions

The 2026 FX Definitions include new provisions for partial and multiple exercise of options rights (capable of application to both FX options and 'Optional Early Termination Rights'). In addition, the ability to provide for 'Mandatory Early Termination' is now available to foreign exchange transactions for the first time.



Cross-currency provisions

Cross-currency provisions have been introduced to enable the construction of a cross-currency transaction (i.e. using two exchange rates to derive an exchange rate for an emerging market currency) using the elections for the Reference Currency from the EM Currency Matrix.



Calculation Agent provisions

The 2026 FX Definitions include an updated Calculation Agent standard that brings it in line with that in the 2021 ISDA Interest Rate Derivatives Definitions. Elective joint calculation agent dispute resolution provisions have also been included.



Calendar Adjustment Event

New provisions have been introduced to address the economic consequences for certain FX forwards of a day that was expected to be a business day as of the trade date subsequently changing to a non-business day, resulting in the settlement date being later than it would have been otherwise.

What do market participants need to think about?

There are a number of things market participants will need to think about:



Differences between the 1998 FX Definitions and 2026 FX Definitions in readiness for rolling 1998 FX Definitions transactions into transactions under the 2026 FX Definitions post the go-live date.



Front office readiness, particularly in the context of new substantive provisions including the optional Full Automated Exercise provision, Calendar Adjustment Event and the default disruption events and fallbacks.



Impact on existing documentation arrangements, including whether master confirmation agreements are required and updates to in-house confirmation templates to reflect the 2026 FX Definitions and the updated exhibits.



Operational readiness ranging from confirmation fields to adopting the updated Swift messaging for the 2026 FX Definitions.

Where can I get further information?

Linklaters acted as drafting counsel on the 2026 FX Definitions and are consequently uniquely placed to advise on their implementation. Please contact a member of the Linklaters team for more information. ISDA has also produced information on the 2026 FX Definitions, available on its website.

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