

International Comparative Legal Guides

Derivatives 2026

A practical cross-border resource to inform legal minds

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Cayman Islands



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1 Documentation and Formalities

1.1 Please provide an overview of the documentation (or framework of documentation) on which derivatives transactions are typically entered into in your jurisdiction. Please note whether there are variances in the documentation for certain types of derivatives transactions or counterparties; for example, differences between over-the-counter (“OTC”) and exchange-traded derivatives (“ETD”) or for particular asset classes.

Cayman Islands entities use market-standard documentation for all types of derivatives transactions. The 1992 and 2002 ISDA Master Agreements, together with the appropriate Schedules, Annexes and credit support documentation in the usual market form, are commonly used to document OTC derivatives transactions by Cayman Islands entities. There are no variances in contractual documentation for different types of Cayman Islands counterparties, and there is typically no use of any Cayman Islands law-governed documentation.

1.2 Are there any particular documentary or execution requirements in your jurisdiction? For example, requirements as to notaries, number of signatories, or corporate authorisations.

No. Cayman Islands law will respect the governing law of the contract to determine execution requirements. There is no Cayman Islands legislation that requires any additional steps for the execution of derivatives documentation. The constitutional documents of each Cayman Islands entity will determine its legal authority to execute and deliver binding agreements. It is normal for Cayman Islands entities to authorise entry into derivatives agreements by way of board resolution (or equivalent) and, where agreements are executed and delivered by way of deed, the authorising resolution will note this. There is no legal requirement for a corporate entity to have a witness to its signature when executing by way of deed, and electronic signatures are permissible under Cayman Islands law.

1.3 Which governing law is most often specified in ISDA documentation in your jurisdiction? Will the courts in your jurisdiction give effect to any choice of foreign law in the parties’ derivatives documentation? If the parties do not specify a choice of law in their

derivatives contracts, what are the main principles in your jurisdiction that will determine the governing law of the contract?

New York law and English law are the principal governing laws specified in derivatives transactions involving Cayman Islands entities. The Cayman Islands courts will generally recognise the parties’ choice of governing law, assuming such governing law is legal, valid and binding as a matter of such chosen law. A Cayman Islands court will not observe and give effect to a choice of a non-Cayman Islands governing law if (i) that law is not pleaded and proved, or (ii) to do so would be contrary to natural justice or the public policy of the Cayman Islands.

2 Credit Support

2.1 What forms of credit support are typically provided for derivatives transactions in your jurisdiction? How is this typically documented? For example, under an ISDA Credit Support Annex or Credit Support Deed.

All generally accepted market-standard forms of credit support are generally recognised in the Cayman Islands, including collateral in the form of cash and securities. The majority of derivatives transactions use an ISDA Credit Support Annex or ISDA Credit Support Deed, although bespoke documentation can also be used depending on the nature of the transaction and the commercial needs of the parties.

2.2 Where transactions are collateralised, would this typically be by way of title transfer, by way of security, or a mixture of both methods?

This depends on the type of derivatives transaction and the governing law of the arrangements. Cayman Islands entities enter into derivatives transactions using both outright title transfer (with a right of re-transfer) and the grant of security over assets.

2.3 What types of assets are acceptable in your jurisdiction as credit support for obligations under derivatives documentation?

There are no specific prohibitions under Cayman Islands law in this regard. Most derivatives transactions involve liquid assets over which security is readily taken, such as cash,

promissory notes, corporate bonds, receivables or securities. However, any asset capable of being the subject of a valid security interest can be used as credit support for obligations under derivatives documentation.

2.4 Are there specific margining requirements in your jurisdiction to collateralise all or certain classes of derivatives transactions? For example, are there requirements as to the posting of initial margin or variation margin between counterparties?

There are no specific margining requirements in the Cayman Islands, as there is no generally applicable derivatives legislation in force locally. However, certain regulated entities, such as banks, hedge funds, private funds, mutual funds and insurance companies, may have requirements imposed by the local regulator under their business plans.

2.5 Does your jurisdiction recognise the role of an agent or trustee to enter into relevant agreements or appropriate collateral/enforce security (as applicable)? Does your jurisdiction recognise trusts?

Yes, to both questions. Such arrangements are typically governed by laws other than the laws of the Cayman Islands and Cayman Islands law will recognise such arrangements provided they are validly made under the applicable governing law. A trust is not a separate legal entity as a matter of Cayman Islands law and it is typical, although not necessary, for a trustee to delegate certain functions to advisors, managers or other agents who, based on such delegation, have authority to act on behalf of the trustee and execute documents on its behalf.

2.6 What are the required formalities to create and/or perfect a valid security over an asset? Are there any regulatory or similar consents required with respect to the enforcement of security?

In accordance with Cayman Islands conflicts of law principles, the creation of the security interests would be determined by the governing law of the applicable credit support agreement. The law that determines the proprietary aspects of a security interest will depend, in part, upon whether the collateral provider is established in the Cayman Islands (and, if it is, whether it is a company, a limited liability company, a partnership or a trustee acting as trustee of a trust), the nature of the assets being secured and the location and governing law of the collateral. There are no specific perfection or priority formalities required by local law simply because the collateral provider is a Cayman Islands entity.

3 Regulatory Issues

3.1 Please provide an overview of the key derivatives regulation(s) applicable in your jurisdiction and the regulatory authorities with principal oversight.

There are no derivatives exchanges or OTC markets operating in the Cayman Islands, and consequently there is no specific derivatives or swaps legislation in force. There is also no regulatory authority in the Cayman Islands solely responsible for the regulation of derivatives transactions. The principal financial regulator is the Cayman Islands Monetary Authority

(“CIMA”), which is directly responsible for the licensing and regulation of various financial services businesses, including banks, insurance companies, trust companies and funds (including hedge funds, private funds and mutual funds). For banks, insurance companies and trust companies that are licensed or registered with CIMA, their applicable regulatory frameworks may impose restrictions on entry into derivatives transactions. There are no such potential regulatory restrictions under the Private Funds Act (As Revised) or the Mutual Funds Act (As Revised), as licensed and registered funds are not required to file a business plan with CIMA. It is expected, however, that any entry into derivatives transactions will be disclosed to investors in the relevant offering documents.

3.2 Are there any regulatory changes anticipated, or incoming, in your jurisdiction that are likely to have an impact on entry into derivatives transactions and/or counterparties to derivatives transactions? If so, what are these key changes and their timeline for implementation?

There are no pending legislative or regulatory developments that are expected to have a material impact on the current legal or regulatory framework applicable to derivatives transactions in the foreseeable future.

3.3 Are there any further practical or regulatory requirements for counterparties wishing to enter into derivatives transactions in your jurisdiction? For example, obtaining and/or maintaining certain licences, consents or authorisations (governmental, regulatory, shareholder or otherwise) or the delegating of certain regulatory responsibilities to an entity with broader regulatory permissions.

There are no specific additional practical or regulatory requirements beyond those outlined in question 3.1. It is, however, common market practice for Cayman Islands counterparties to provide representations, warranties and undertakings in derivatives documentation with respect to their regulated status and compliance with applicable regulations.

3.4 Does your jurisdiction provide any exemptions from regulatory requirements and/or for special treatment for certain types of counterparties (such as pension funds or public bodies)?

No; see our response to question 3.1.

4 Insolvency / Bankruptcy

4.1 In what circumstances of distress would a default and/or termination right (each as applicable) arise in your jurisdiction?

With respect to Companies, Limited Liability Companies (“LLCs”) and Exempted Limited Partnerships (“ELPs”), statutory rights of the restructuring officers or liquidators arise upon the presentation of a petition for the appointment of a restructuring officer or the winding up of such entity. In practice, most derivatives transactions, particularly those governed by ISDA Master Agreements, provide for broader contractual rights of termination based on a wider range of contractually defined events of default and termination events.

4.2 Are there any automatic stay of creditor action or regulatory intervention regimes in your jurisdiction that may protect the insolvent/bankrupt counterparty or impact the recovery of the close-out amount from an insolvent/bankrupt counterparty? If so, what is the length of such stay of action?

The Companies Act (As Revised) of the Cayman Islands provides for a restructuring regime (similar to those available in England and Wales and the United States of America) that enables the restructuring of debt with the protection of a moratorium against claims by unsecured creditors. Upon the presentation of a petition to the court for the appointment of a restructuring officer under Part 5 of the Companies Act, the entity obtains an automatic moratorium on legal proceedings being continued or commenced by unsecured creditors, and this moratorium, as a matter of Cayman Islands law, has worldwide application. Importantly, the restructuring moratorium does not prevent creditors from enforcing valid and enforceable contractual rights of set-off or netting outside of judicial proceedings. Separately, when an order for winding up has been made or a provisional liquidator has been appointed, an automatic stay of proceedings applies against the Company, LLC or ELP. This stay likewise does not prevent any contractually agreed netting arrangements, nor does it prevent a secured creditor from enforcing its security or collateral interest. Unlike the restructuring moratorium, the winding-up stay does not purport to have worldwide effect and extends to judicial proceedings only.

4.3 In what circumstances (if any) could an insolvency/bankruptcy official render derivatives transactions void or voidable in your jurisdiction?

The circumstances in which a liquidator could void a derivatives transaction are very limited. Entry by a Company, LLC or ELP into a derivatives transaction at any time within the six months immediately preceding the commencement of a liquidation may be voidable as a preference, but only where the entity was unable to pay its debts as they fell due and there was a dominant intention to prefer the counterparty over other creditors. Cayman Islands law requires that a dominant intention to prefer be established. In practice, it is unlikely that a Company's, LLC's or ELP's entry into a derivatives transaction on an arm's length basis would be regarded as a voidable preference, as it would be extremely difficult to infer the requisite intention to prefer one creditor over another as the sum payable by way of liquidated damages (if any) on early termination is dependent upon movements in market rates over which the parties have no control.

4.4 Are there clawback provisions specified in the legislation of your jurisdiction that could apply to derivatives transactions? If so, in what circumstances could such clawback provisions apply?

In the event of the insolvency of a Cayman Islands entity, the rights of a non-defaulting party may be affected by certain insolvency provisions of Cayman Islands law, including provisions relating to voidable preferences, transactions at an undervalue, fraudulent trading, fraudulent preference and fraudulent disposition.

4.5 In your jurisdiction, could an insolvency/bankruptcy-related close-out of derivatives transactions be deemed to take effect prior to an insolvency/bankruptcy taking effect?

Generally, no, an insolvency/bankruptcy-related close-out of derivatives transactions could not be deemed to take effect prior to an insolvency/bankruptcy taking effect. There was a historical practice in the Cayman Islands for provisional liquidators to be appointed with the principal objective of preparing a scheme of arrangement with the aim of avoiding a formal winding up in the case of Companies. A Company, LLC or ELP can also present a petition to the courts of the Cayman Islands for the appointment of a restructuring officer where the entity is or is likely to become unable to pay its debts and intends to present a compromise or arrangement to its creditors (the compromise or arrangement can take the form of a Cayman Islands scheme of arrangement, foreign restructuring proceedings (e.g. chapter 11 or a scheme of arrangement in another jurisdiction) or a consensual deal with creditors). On the presentation of the petition, the Company, LLC or ELP obtains a stay on legal proceedings being continued or commenced by unsecured creditors against the Company, LLC or ELP and this stay, as a matter of Cayman Islands law, has worldwide application. Although there is an automatic stay of proceedings against a Company, LLC or ELP when an order for winding up has been made and there is a discretionary stay on the appointment of a provisional liquidator, the stay does not prevent a secured creditor from enforcing its security or a creditor from exercising valid and enforceable contractual rights of set-off or netting (as determined by the governing law of the contract); this application is ultimately determined by the governing law of the applicable defined terms and default trigger events set out in the derivatives documentation, in particular defined terms of insolvency proceedings, bankruptcy, winding up, and potential or actual events of default.

4.6 Would a court in your jurisdiction give effect to contractual provisions in a contract (even if such contract is governed by the laws of another country) that have the effect of distributing payments to parties in the order specified in the contract?

Absent insolvency (when the requirement for *pari passu* basis of distribution would apply), a Cayman Islands court would recognise the contractual right of parties to agree subordination and other types of contractual payment arrangements, assuming the same are legal, valid and binding as a matter of the governing law of the arrangements.

5 Close-out Netting

5.1 Has an industry-standard legal opinion been produced in your jurisdiction in respect of the enforceability of close-out netting and/or set-off provisions in derivatives documentation? What are the key legal considerations for parties wishing to net their exposures when closing out derivatives transactions in your jurisdiction?

Yes, Maples and Calder (Cayman) LLP prepares the industry-standard opinion for ISDA and the most recent update was published on 5 December 2025.

5.2 Are there any restrictions in your jurisdiction on close-out netting in respect of all derivatives transactions under a single master agreement, including in the event of an early termination of transactions?

The robust and creditor-friendly legislative framework in the Cayman Islands, including the statutory protections for contractual netting and set-off, provides counterparties with significant comfort in derivatives transactions and continues to make the Cayman Islands a netting-friendly jurisdiction of choice. For detailed analysis, reference should be made to the industry-standard ISDA opinion.

5.3 Is Automatic Early Termination ("AET") typically applied/disapplied in your jurisdiction and/or in respect of entities established in your jurisdiction?

AET is not typically elected in respect of Cayman Islands counterparties. However, effective contractual arrangements for both AET and non-AET would be recognised and respected by Cayman Islands courts.

5.4 Is it possible for the termination currency to be denominated in a currency other than your domestic currency? Can judgment debts be applied in a currency other than your domestic currency?

A claim can be made in any proceedings in the Cayman Islands courts for an amount in a currency other than Cayman Islands dollars; however, the Cayman Islands court would give judgment expressed either as an order to pay such currency or its Cayman Islands dollar equivalent at the time of payment or enforcement of the judgment. A Cayman Islands court has jurisdiction to give judgments expressed in foreign currencies under the Grand Court Rules Order 42, Rule 8.

6 Taxation

6.1 Are derivatives transactions taxed as income or capital in your jurisdiction? Does your answer depend on the asset class?

The Cayman Islands currently has no form of income, corporate or capital gains tax and no estate duty, inheritance tax or gift tax and therefore, as a matter of Cayman Islands law, this question is not applicable.

6.2 Would part of any payment in respect of derivatives transactions be subject to withholding taxes in your jurisdiction? Does your answer depend on the asset class? If so, what are the typical methods for reducing or limiting exposure to withholding taxes?

There are no withholding taxes applicable in the Cayman Islands.

6.3 Are there any relevant taxation exclusions or exceptions for certain classes of derivatives?

This is not applicable; see our responses to questions 6.1 and 6.2.

7 Bespoke Jurisdictional Matters

7.1 Are there any material considerations that should be considered by market participants wishing to enter into derivatives transactions in your jurisdiction? Please include any cross-border issues that apply when posting or receiving collateral with foreign counterparties (e.g. restrictions on foreign currencies) or restrictions on transferability (e.g. assignment and novation, including notice mechanics, timings, etc.).

The Cayman Islands is widely regarded as a creditor-friendly and netting-friendly jurisdiction for derivatives counterparties to enter into transactions with Cayman Islands entities, such as funds and structured finance vehicles. There are no jurisdiction-specific cross-border issues, and there are no specific Cayman Islands legislative restrictions. Any such restrictions would be asset-specific rather than jurisdictional. Market participants wishing to enter into derivatives transactions should, however, have regard generally to cross-border considerations, including anti-money laundering compliance, counterparty due diligence, sanctions laws, economic substance regimes and beneficial ownership regimes.

8 Market Trends

8.1 What has been the most significant change(s), if any, to the way in which derivatives are transacted and/or documented in recent years?

There have been no significant changes from a Cayman Islands law perspective. As noted in our answer to question 1.1, the majority of derivatives transactions involving Cayman Islands entities are documented under ISDA Master Agreements. Accordingly, developments in ISDA documentation, including new protocols addressing market evolution, are generally adopted by Cayman Islands market participants.

8.2 What, if any, ongoing or upcoming legal, commercial or technological developments do you see as having the greatest impact on the market for derivatives transactions in your jurisdiction? For example, developments that might have an impact on commercial terms, the volume of trades and/or the main types of products traded, smart contracts or other technological solutions.

In early 2026, the Cayman Islands took a decisive step in its commitment to financial services innovation by passing three legislative amendments that establish a comprehensive statutory framework for the tokenisation of interests in regulated investment funds. This marks a significant milestone for the Cayman Islands investment funds industry as these amendments are designed to future-proof the jurisdiction's investment funds regime by accommodating technological developments in a proportionately controlled and supervised manner, strengthening resilience, innovation capacity, and the Cayman Islands' position as a leading international financial centre.



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- Documentation and Formalities
- Credit Support
- Regulatory Issues
- Insolvency / Bankruptcy
- Close-out Netting
- Taxation
- Bespoke Jurisdictional Matters
- Market Trends