

# ISDA

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## **U.S. Exchange and Market Closings on June 11, 2004**

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter derivative transactions that are affected by the closing of U.S. exchanges and bond markets on Friday, June 11, 2004 in observance of a national day of mourning for former U.S. President Ronald Reagan.

As of Tuesday, June 8, the American Stock Exchange, New York Stock Exchange, Nasdaq Stock Exchange and New York Mercantile Exchange (including the COMEX Division), among other exchanges, announced that their respective exchanges will be closed on June 11. The Bond Market Association recommended on Monday, June 7, that all fixed-income cash markets close on June 11.

ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly valuation and settlement of positions by market participants. Parties are not obliged to follow the guidance set forth below and may choose alternate means of addressing the event. In addition, ISDA encourages firms to establish contact with their clients in advance of June 11.

### ***Guidance***

ISDA, in consultation with market participants, recommends the following methodology for the operation of derivative transactions affected by the June 11, 2004 closure of U.S. exchanges and markets.

#### ***1. Exercise, Valuation and Expiration of Option Transactions under the 2002 ISDA Equity Derivatives Definitions or the 1996 ISDA Equity Derivatives Definitions***

Unless parties otherwise agree, June 11 should not be treated as an Exchange Business Day (under the 1996 ISDA Equity Derivatives Definitions and the 2002 ISDA Equity Derivatives Definitions) or a Scheduled Trading Day (under the 2002 ISDA Equity Derivatives Definitions), and as such the date should be adjusted in accordance with the relevant provision of the applicable definitions. For example, if a Valuation Date in respect of an Option Transaction is specified as June 11 and is governed by the 2002 ISDA Equity Derivatives Definitions, such valuation should be pushed forward to the next Scheduled Trading Day. This guidance is intended to apply to all Transaction types under the 2002 ISDA Equity Derivatives Definitions and the 1996 ISDA Equity Derivatives Definitions.

## *2. Options, Rate Resets and Swaptions under the 2000 ISDA Definitions*

It is ISDA's understanding that commercial banks and foreign exchange markets in New York should settle payments and be open for general business (including dealings in foreign exchange and foreign currency deposits). As a result, unless parties agree otherwise, in relation to transactions documented under the 2000 ISDA Definitions, obligations to pay, rights to exercise options and the valuation of cash settlements which would otherwise be due, exercisable and required to be performed, respectively, on June 11, should be made, may be exercised and should be performed notwithstanding the closure of various exchanges and markets in the U.S. One exception to this principle arises where parties would otherwise be required to value on June 11 as a result of optional or mandatory early termination and one of the rate options relevant to the terminating swap transaction refers to U.S. Government Securities Business Days. As discussed below, June 11 will not be a U.S. Government Securities Business Day, and, as a result, the date of valuation may be adjusted so that it falls on June 10.

Resets of specific rates should be determined by whether a rate is being quoted on that day. It is ISDA's understanding that LIBOR quotes should be available on June 11.

Where certain floating rates are required to be determined by reference to rates published on June 11, the 2000 ISDA Definitions may require rates to be determined by reference to rates published on another day. For example, the "USD-CMS-Telerate", "USD-ISDA-Swap Rate", "USDCMS-Reference Banks" and "USD-CMT-T7051" rate options all require the rate to be determined by reference to rates published a number of "U.S. Government Securities Business Days" prior to a Reset Date. June 11 will not be treated as a U.S. Government Securities Business Day because The Bond Market Association recommended on June 7 that its members close their fixed income operations on June 11. Thus, rates that would otherwise be required to be determined on June 11 will therefore be determined on the preceding U.S. Government Securities Business Day.

Applying the provisions of the 2000 ISDA Definitions to Swaptions, June 11 should be a day on which Swaptions can be exercised as it should be an Exercise Business Day. We recognize that in the case of a Swaption to which Cash Settlement is applicable, there may be practical difficulties in obtaining a meaningful price. In particular, because June 11 will not be a U.S. Government Securities Business Day, U.S. Dollar ISDAFIX rates will not be published for June 11. Parties should consult with their counterparties in advance of June 11 to determine an appropriate commercial result for the applicable transaction.

## *3. Commodity Derivative Transactions under the 1993 ISDA Commodity Derivatives Definitions*

Unless parties otherwise agree, June 11 should not be treated as a Commodity Business Day for NYMEX or COMEX-based commodity derivative transactions and, as such, (i) June 11 should not be included for purposes of calculating the Floating Price of NYMEX or COMEX-based commodity derivative transactions and (ii) in relation to spread transactions in which a NYMEX

or COMEX-based commodity derivative transaction constitutes one or more legs, June 11 should not be included for purposes of pricing such transactions.

*4. Credit Derivative Transactions under the 2003 ISDA Credit Derivatives Definitions*

As mentioned in item 2 above, it is ISDA's understanding that commercial banks and foreign exchange markets in New York should settle payments and be open for general business. As a result, unless parties agree otherwise, in relation to transactions documented under the 2003 ISDA Credit Derivatives Definitions, obligations to pay, which would otherwise be due on June 11, should be made notwithstanding the closure of various exchanges and markets in the U.S.

*5. Payments*

It is ISDA's understanding that the Fedwire Funds, Securities and National Settlement Services and clearing corporations, such as Depository Trust & Clearing Corporation, will be open on June 11. Payments or deliveries, including collateral deliveries, should be made, even if a firm has decided to operate with limited staff on June 11.