

31 January 2020 (updated 3 February 2020)

Closed Days Guidance – 2005 ISDA Commodity Definitions

2020 Chinese Lunar New Year Holiday Extension

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 extension to the holiday period described below.

The General Office of the State Council announced on Monday 27 January 2020 that the Lunar New Year holiday, which was originally scheduled to run from Friday 24 January 2020 to Thursday 30 January 2020 (inclusive), will now be extended to Sunday 2 February 2020 (inclusive). The announcement can be found [here](#).

As a consequence, it is ISDA’s understanding that the financial markets under the regulatory supervision of the People’s Bank of China¹ (including the interbank lending market, interbank bond market, China foreign exchange trading system, gold market and commercial paper market), the securities and futures markets under the supervision of the China Securities Regulatory Commission and commercial banks in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) (“Mainland China”) are expected to remain closed (including for dealings in foreign exchange and foreign currency deposits) until Sunday 2 February 2020 (inclusive).

ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly and efficient valuation and settlement of positions by market participants. This guidance illustrates the consequences of the market closure event based on the default provisions described in the main definitional booklet and Sub-Annexes A and B. This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such defaults. This guidance is not legal advice and market participants should consult their legal advisors as appropriate. Market participants should not rely on this guidance for any purpose but should review the contractual terms of each affected transaction in order to understand the effects of the events described above. ISDA does not assume any responsibility for this guidance and it is not intended to set a precedent. Parties are not obliged to follow this guidance and may choose alternate means of addressing the aforementioned event. In addition, firms should consider contacting their counterparties in advance of Friday 31 January 2020 to discuss the consequences for their transactions.

For cleared transactions and transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable clearing house or confirmation platform, as applicable.

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¹ <http://m.safe.gov.cn/safe/2020/0128/15267.html>

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Guidance

1 2005 ISDA Commodity Definitions

1.1 Commodity Transactions

It is ISDA's understanding that, as a consequence of the extension to the Chinese Lunar New Year holiday, commercial banks in Beijing will now also be closed for general business (including dealings in foreign exchange and foreign currency deposits) on Friday 31 January 2020 (the "**Relevant Date**").

Consequently, the Relevant Date would not be a Business Day where Beijing is the relevant financial center, including for the purposes of settlement and payment on the Settlement Date or Payment Date, and for the purposes of valuation on a Business Day to determine a Commodity Reference Price that is fixed on a Business Day.

For the purposes of settlement and payment, the Settlement Date or Payment Date will be adjusted in accordance with the Following Business Day Convention, unless the parties have specified an alternative Business Day Convention in their Confirmation.

In respect of a Commodity Reference Price, parties should refer to the terms of the Commodity Reference Price in Sub-Annex A to the 2005 ISDA Commodity Definitions as to the consequences for a non-Business Day.

The Relevant Date will also not be Seller Business Days for the purposes of the exercise of Commodity Options by a Commodity Option Seller located in Mainland China.

It is also ISDA's understanding that Shanghai Futures Exchange, Shanghai International Energy Exchange, Shanghai Gold Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange (the "**Chinese Commodity Exchanges**") will be closed on the Relevant Date. Due to the late announcement of the closures, they are considered to give rise to a Price Source Disruption in respect of any Commodity Reference Price published by the Chinese Commodity Exchanges. For the purposes of a Pricing Date and a Commodity Reference Price (published by one of the Chinese Commodity Exchanges) that is fixed on a Relevant Date, this will be a Commodity Business Day on which a Price Source Disruption has occurred.

Where the price source for the relevant Commodity Reference Price is outside of Mainland China, parties should refer to the rules of the price source for information on publication by that price source. If the Commodity Reference Price is published by a price source outside of Mainland China, a price may be published notwithstanding the closure of the Chinese Commodity Exchanges, in which case there would be no Price Source Disruption.

Parties should refer to their Confirmation as to the Disruption Fallbacks that apply. If none are specified in the Confirmation, they should refer to Section 7.5(d)(i) of the 2005 ISDA Commodity Definitions for the default Disruption Fallbacks that apply.

1.2 Bullion Transactions

As commercial banks in Beijing will be closed for general business on the Relevant Date, these would not be Bullion Business Days for any Bullion Transactions for which Beijing is the location

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for payment. For the purposes of payment, the Payment Date will be adjusted in accordance with the Following Bullion Business Day Convention, unless parties have specified an alternative Business Day Convention in their Confirmation.

In respect of the settlement of Bullion Transactions, the Bullion Transaction Settlement Date and Bullion Settlement Date will, if they are scheduled to fall on the Relevant Date and Beijing is the location for payment, move to the next following Bullion Business Day, which is expected to be Monday 3 February 2020.

A Bullion Pricing Date will, if it falls on a Relevant Date and Beijing is the location for payment, move back to the preceding Bullion Business Day.

If the location for payment is not in Beijing but the Bullion Trade or the Bullion Option is settled by delivery and the delivery location is in Beijing, then the Relevant Date will not be a Bullion Business Day for the purposes of the provisions relating to settlement only, due to the closure of Bullion markets in Beijing.

In respect of Bullion Trades that are to be settled by delivery in Beijing, the Following Bullion Business Day Convention will apply to the Bullion Transaction Settlement Date and, in respect of Bullion Options that are to be settled by delivery in Beijing, the Bullion Settlement Date will, if it is scheduled to fall on the Relevant Date, move to the next following Bullion Business Day, which is expected to be Monday 3 February 2020.²

The Relevant Date will also not be Bullion Exercise Dates for the purpose of the exercise of Bullion Options where the location for payment or delivery is in Beijing.

² The definition of Bullion Business Day refers to the day “*which is also a scheduled trading day (meaning a day on which such markets are ordinarily open) in the Bullion market in the delivery location*”. By contrast the Commodity Business Day definition refers to “*a day that is (or, **but for the occurrence of a Market Disruption Event would have been**) a day on which that Exchange is open for trading during its regular trading session*”. Notwithstanding the use of the word ‘scheduled trading day’, the definition does not require the same consideration of whether the markets would have been open but for a Market Disruption Event. Therefore, in relation to Bullion Business Day, while the position is not entirely free from doubt, this guidance adopts the view that the distinction between scheduled and unscheduled holidays does not need to be made as the question to be asked is whether such day is a “*day on which such markets are ordinarily open*” rather than whether such day is a day upon which such markets would ordinarily have been open *but for a Market Disruption Event*. Hence, this guidance does not treat a closed day as a Bullion Business Day on which a Market Disruption Event/Bullion Settlement Disruption Event has occurred as a result of the closure of banks and markets, irrespective of how little notice of the closure is given.

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